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MARKET ANNOUNCEMENT

Date:	9 February 2022
To:	Australian Securities Exchange
Subject:	**1H22 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 half year ended 31st December 2021 held on 9th February 2022.

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

For more information, visit www.computershare.com

MARKET ANNOUNCEMENT

1H FY22 Results - CEO and CFO conference call script

Stuart Irving - Chief Executive Officer and President

Good morning, everyone and welcome to Computershare's 1H FY22 results conference call.

I am joined today by Nick Oldfield, our Chief Financial Officer, and Michael Brown, from our Investor Relations team.

On this call, I will take you through the key highlights of our results and the outlook for the second half of FY22.

We released a presentation pack to ASX, and it's on our website. There's a lot of information in the deck for you. As usual on these calls, I'll focus my remarks on the opening pages of the presentation.

Nick will then take you through the slides on our financial results. Then, after some concluding remarks, we will open up the call for questions. As a reminder, we will be talking in US dollars and constant currency (CC) unless we state otherwise.

Slide 2 – 1H FY22 Results

Let's start on page 2.

There are a number of highlights I would like to call out;

First, the momentum we enjoyed in the second half of last year has clearly continued.

Management earnings per share (EPS) has increased by 4.5%. This includes the dilution from the rights issue. Excluding the Rights Issue and the contribution from CCT, EPS increased over 10% in the legacy business.

Growth was led by an increase in management revenue, careful cost controls driving margin expansion and outperformance in our recently acquired Computershare Corporate Trust (CCT) business in the US.

EBIT ex MI, reflecting our operating performance, increased strongly by over 16% with this margin expanding by 150 basis points to over 14%.

I'm pleased to see the operating leverage come through and see the rejuvenation in the legacy business. That's an impressive performance by the team and I am grateful for the dedication to execution to deliver such strong numbers.

Slide 3 – 1H FY22 Summary

Moving to slide 3 let me summarise the first six months performance. The main highlight is that our global growth businesses are driving this strong operating performance. As you know, we have been investing for some time now to strengthen and scale our key global growth businesses. These investments are delivering the anticipated returns.

I'll call out Issuer Services and Employee Share Plans. They are performing well. We are winning market share with our proprietary technology platforms and improved customer experience, and we are benefitting from strong equity markets.

Register Maintenance, our largest business, delivered higher revenues and profits. We delivered a 22% increase in new client wins versus 1H FY21.

We also now manage over 38 million shareholder accounts around the world. That's up over one and a half million accounts since this time two years ago.

I am encouraged by these lead indicators. They reflect the investments we have made in the front office, client experience and product innovation.

Governance Services revenues also reported 30% growth. The results demonstrate our improving traction in this large and complementary market.

However, Corporate Actions revenue was down, with lower participation in Hong Kong IPOs, and less Rights Issues which had both been meaningful contributors to the year before.

Employee Share Plans delivered the fastest rate of profit growth across the group with Management EBIT excluding margin income up 122%. I've waited a while to report a triple digit organic earnings growth number.

Recurring client paid fees, higher transaction volumes and the contribution from cost synergies all added to the impressive performance.

I will call out there is an equity market sensitivity in this business with share prices and transaction fees. But our book is well balanced and as we have seen before, there is an interesting countercyclicality in this business. When equity markets are weak employers typically "over issue" new equity to compensate.

We have had to delay the roll out of the Equate+ software in some jurisdictions. Cross border travel restrictions prevented us from getting the teams in country to execute the upgrades. This has meant a longer period of running dual systems which leads to a higher cost to achieve synergies.

The Employee Share Plan units under administration increased versus pcp, providing latent earnings power for the group. More companies are issuing more equity as remuneration. That's the structural growth trend we are increasing our leverage to.

US Mortgage Services remains subdued, although industry fundamentals are beginning to improve. Rising interest rates should increase the value of the MSR's we own and reduce portfolio run-off rates. With the lifting of regulatory restrictions, we expect an increase in loan servicing activity in the second half of the year with further recovery in FY23.

We are reducing the capital employed in this business. We spent a net $9.5m on MSRs and increased sub serviced UPB by 21%.

With our commitment to improve ROIC, we are managing our costs carefully too. We are putting in place initiatives to improve servicing and fulfilment efficiency and reduce costs.

Across the Atlantic, we have returned UK Mortgage Services to profitability. We have also completed a strategic review of the business and a sale process is underway. The challenger bank landscape, which was supporting our growth strategy, changed in the UK during our ownership. The business would also be better served by an owner willing to deploy more capital via origination or acquiring asset books to build scale.

And Computershare Corporate Trust, CCT, the business we acquired from Wells Fargo in November, is exceeding our expectations.

Now we have the keys and are fully immersed in the business we are delighted with the acquisition, and the timing of the deal, given the new outlook for rising interest rates, should benefit shareholders.

Growth in trust fee revenues drove the "beat". We have made a good start with integrating the new business and we are working towards delivering the expected synergy benefits and 15%+ post tax return on invested capital.

Let's move to Business Services. It's a mixed bag. Revenue was down nearly 30% and EBIT ex MI halved.

Canadian Corporate Trust delivered a consistent result. We won new trust mandates and debt under administration continued to grow.

The Chapter 11 Bankruptcy claims market was tough, with less case filings as companies found ways to refinance. Like Class actions, it relies on large lumpy projects. We are working hard on what we can control.

Slide 5 - Outlook

Moving to the Outlook. We are upgrading our full year earnings guidance.

In August, we expected full year earnings to be around 53.4 cents per share. That was an increase of around 2% vs pcp. It included the 8 months contribution from CCT and the full impact of the additional shares you got cheap from the rights issue which completed in April.

FY22 Management EPS is now expected to increase by around 9%.

EBIT ex Margin Income, reflecting our operating performance, is now expected to increase by around 13% compared to the original guidance of 3%.

Legacy EBIT ex MI has been upgraded by 2.8% to $359.7m but the more meaningful change is the 22m increase in CCT EBIT Ex MI. About a third of this reflects increased fee income from mandates won, another third from the two months benefit from the higher level Money Market fees in Q4. These fees are driven by interest rate assumptions and are generally capped at around 10 basis points. The remaining third is temporary cost savings which most will come back into FY23.

It does not include any synergy benefits which are ahead of us.

Also, just to be clear, guidance assumes full year ownership for the UK Mortgage business.

So, what is driving the upgrade?

Results for the first six months of the year are ahead of expectations. Our global operating businesses continue to perform well, CCT's earnings contribution is running ahead of plan and we expect to benefit from a 25 basis points interest rate rise in the United States in Q4.

Beyond this year's guidance, expectations are also firming for further interest rate rises.

Computershare is well placed to benefit.

A simple sensitivity analysis suggests a 100bps increase in interest rates on 2H exposed average balances would equate to an annualised EPS increase of 26 cents per share.

Over to Nick to take you through the earnings bridge on page 4.

Nick Oldfield, Chief Financial Officer

Thank you, Stuart.

So let me start with that earnings bridge for the first half on slide 4:

In 1H21, we generated 21.8 cps of management EPS. Note this is shown on a pre-rights issue basis.

Now, moving through the legacy business.

In 1H22, as Stuart mentioned, we have seen a reduction in our event-based revenues. This reduced earnings by 5.48 cps relative to the pcp.

Other headwinds included the impact of inflation and US tax. On the former, we have seen a fair amount of wage pressure, together with certain key supplier costs increase during the half. This totaled 1.95 cps. We implemented a general wage rise in October, so there is a slightly larger impact of inflation in the 2H. And on the latter, our US profits were a bit higher than expected, driving our BEAT expense up. This reduced EPS by 0.72 cents.

On the positive side, we did benefit from some non-recurring items, the largest of which was an insurance claim receipt. There were some non-repeating items in 1H 21 also and, taking the two together, the net benefit was 2.69 cents in the half.

Then to our cost out programs. Positively, they delivered 3.46 cents per share, more than offsetting the impact of inflation. I'll provide a bit more detail on these later.

Operational earnings growth for the half was 4.31 cents per share. Register Maintenance, Governance Services and Employee Share Plans were the key contributors here.

These all combined to deliver 10.6% of growth in EPS in respect of the legacy business. Before taking into account the rights issue, Management EPS would have been 24.1 cps.

And finally, to CCT. In the two months of ownership, we got a 1.16 cps contribution from that business. We then deduct the dilutionary impact of the rights issue, which was 2.5 cps, to generate 22.76 cps of Management EPS. This is an overall increase of 4.5%.

I'll now move to the overall financial results on slide 10. Group Revenue ex MI was up 4.5%. Adjusting for the CCT acquisition, organic operating revenue growth was down 2.2%. Excluding Event based revenues and CCT, operating revenue ex MI was up 3.6%

Including Margin Income as well as CCT, total revenue for the group rose 4.6% over the prior corresponding period.

There's more detail on revenue on Slide 27 including Revenue and Margin Income across each business stream.

EBIT increased 14.2% to $217.9m whilst EBIT excluding Margin Income increased 16.7% to $157.8m. Adjusting for CCT, it was up 15.5% to $156.1m.

The EBIT ex MI margin was up 150bps to 14.4%, again largely due to the growth in Employee Share Plans supported by our cost management initiatives.

Interest expense was slightly lower, reflecting the lower net debt for much of the period, prior to the completion of the CCT acquisition.

Our income tax expense was higher at $53.9m and ETR was slightly higher for the period too at 28.2%. As you've heard, this was largely reflective of profit mix – less earnings in Hong Kong, more in the US. We expect this trend to continue through the 2H with a slightly higher ETR range for FY22 of 27-29%.

Management NPAT was up 16.5% to $137.4m.

Statutory results are on slide 46. Statutory NPAT was $92.1m, with the difference attributable to the amortisation of non-MSR acquired intangible assets of $20.4m, acquisition related expenses of $20.4m, which was largely attributable to CCT and the ongoing Equatex integration net of a $12.5m gain on sale related to the disposal of our investment in the Milestone Group and $3.7m associated with our cost out programs, the main contributor being the UK Mortgage Services restructuring.

I'll now jump back to slide 8 and talk about margin income, which was broadly in line with expectation sat $62.1m at actual rates. This includes a $7.5m contribution from CCT.

Average deposit balances for the legacy business were $21.4bn whilst for CCT, they were around $19bn which averages to $6.4bn on a weighted basis for 1H22, reflecting the two months of ownership. Total average deposit balances for the first half of FY22 were therefore around $28bn.

Legacy balances were around $3bn higher than the pcp, reflecting the growth in SPAC funds we saw in 2H21. Note these balances do not typically generate any yield due to the fee arrangements in place for these transactions and we classify them as non-exposed. This helps explain why the yield on our legacy balances is around 13 bps lower compared to the pcp.

As you have heard from Stuart, we are upgrading our margin income expectations to be around $152m for the full year with $41.3m of this coming from CCT.

This improved outlook is largely driven by rate rises. We are assuming a 25-bps rate rise in the US in the fourth quarter. We have also seen two rate rises in the UK since the end of 2021, albeit these are less meaningful as more of our GBP balances are hedged.

This drives a higher yield expectation in 2H22 on the legacy book, of around 59 bps on balances of $19.7bn, whilst the CCT book yield is anticipated to increase to around 33 bps. The lower yield on the CCT book reflects the current lack of tenor and hedging within this portfolio. We do expect the CCT yield to rise in time albeit not to the levels of the legacy book due to the nature of the underlying client arrangements.

There's more detail about balances on slides 49 – 53 including some new disclosure on the future average weighted yield on our hedge book on slide 52.

Next, I'd like to talk about our operating expenses.

On slide 16, we show the bridge in operating costs between 1H21 and 1H22.

We've drawn out the reduction in underlying operating expense so you can see how the cost-out programs are having an impact – they realised $23m of benefit in 1H22, more than offsetting the impact of underlying inflation.

$17m of this came from the ongoing restructuring program in UK Mortgage Services. This program is expected to complete in the 2H, with increased total anticipated savings of $81.5m. You can see this on slide 17

The remaining $6m comes from our other cost-out programs, the largest contributor being the synergies arising from the Equatex integration.

Overall operating expenses for the half were $654.5m. This reflects $65.3m of new expense from CCT. Note we are yet to deliver any meaningful synergies here. It also reflects a benefit of $9m associated with delayed recruitment due to ongoing market challenges. This should unwind in the second half.

You will also note that Cost of Sales reduced from $202.9m to $189.2m. This is largely driven by the sales mix changing.

Total operating expense is detailed on slide 48.

On slide 17, we show the impact of all our cost out initiatives.

You can see we are reducing our cost out savings target for the period through to FY24 by $1.5m, relative to our prior estimate.

This reflects:

(i) an $8.3m deferral in the synergies we anticipate from the global Equate+ rollout – note we still expect to deliver these, they will just be delivered later than FY24; and

(ii) an increase in the benefits from the UK Mortgage Services restructuring program of around $6.5m, taking the overall saving here to $81.5m.

At the same time, we have increased the expected cost to achieve by $25m. This is attributable to delays in the global rollouts of Equate+ driven by the pandemic and our ability to deploy global resources on to the program.

The total gross multi-year benefit target out to FY24 is now estimated to be $275m, relative to costs to achieve of $225-230m.

I'll finish with some comments on our balance sheet and cash flow on slide 18.

In the period, we generated $203.3m of net operating cash flow, representing an EBITDA to cash conversion rate of around 66% at actual rates.

The net cash outflow was $633.4m, after spending $713m on acquisitions net of disposals and $101.9m on dividends.

Net MSR spend was $9.5m. We completed five capital recycling transactions over the half, generating receipts of $114.8m, which netted off our purchase expenditure of $124.3m. This is reflective of our intent to build a capital lighter US mortgage servicing business and was key to helping drive the increase in our sub-servicing portfolio over the half.

Free cash flow after CAPEX and net MSR spend was $181.5m.

Net debt almost doubled from the prior half, reflecting the use of the rights issue proceeds to fund the completion of the CCT acquisition in November. We also took the opportunity to restructure our debt in the half, issuing $800m of public debt and extending our maturity profile to 4.6 years.

The Net Debt to EBITDA ratio increased to 2.02x, still within our neutral zone. Looking ahead, we expect this ratio to organically repair and it should be around the bottom of our neutral range by the end of FY22

I'll now hand back to Stuart.

Stuart Irving - Chief Executive Officer and President

Thank you, Nick

On to conclusions.

We have started the year well. 1H FY22 has been better than we originally expected. You can see that in the first half results and the upgrade to full year guidance.

Our key global growth businesses have momentum and are winning market share. Our job is to outperform the positive growth trends in these sectors and deliver the expected operating leverage.

Event activity will fluctuate in our smaller, more cyclical businesses but we are executing plans to strengthen these businesses and improve performance.

We are very pleased with the CCT acquisition and the combination of growing, long duration recurring fee revenues and increased leverage to rising interest rates that it provides us with. There is a lot of work to do but there's also a great deal of upside.

Finally, I am encouraged that we are executing on our strategy to build a simpler, stronger Computershare with higher returns. Our goal is to have high quality global businesses with scale and strong recurring revenues that can deliver sustained performance. We will invest our free cash flow in growth and new technology, and balance this with a conservative capital structure and returns for shareholders.

Thank you for your time and I'll now hand back to the operator to open the lines for questions.