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MARKET ANNOUNCEMENT

Date:	1 May 2017
To:	Australian Securities Exchange
Subject:	**Investor and Analyst Briefing 2017 – Management presentation transcripts**

Attached are the transcripts of the presentations delivered by management at Computershare's Investor and Analyst Briefing held on 27th April 2017.

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About Computershare Limited (CPU)

Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialise in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers.

Computershare is represented in all major financial markets and has over 16,000 employees worldwide.

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MARKET ANNOUNCEMENT

Computershare – Investor and Analyst Briefing 2017

Speaker transcripts

Contents

All figures in this document are in USD unless otherwise stated.

Introduction

Stuart Irving, CEO and President

Slide 1

Good morning everyone and welcome to Computershare's 2017 Investor and Analyst Briefing Day. We appreciate you joining us. It's an important day for us and hopefully an interesting and useful day for you.

I'll start by introducing myself for those of you that don't know me. My name is Stuart Irving and I am CEO. I am joined today by our Chairman Simon Jones, our CFO Mark Davis and our executive team from both Australia and overseas. Some of these people will be presenting to you today.

One of the aims of today is to give you access to the regional and global heads. I invite you to engage and converse with them as you like. They are at your disposal.

Slide 2

We have put together a full schedule for the day. After me, Mark will be unpacking margin income. We haven't presented on this before at our Investor Briefings. It's a topic I know there's a lot of interest in given our significant leverage to rising interest rates. We'll be providing more transparency to you. You'll see there's no "cliff" in our income as old term deposits expire, nor have we locked ourselves out from benefiting from future rate rises. Mark has a detailed presentation on this with additional new disclosures.

We will then stay in this room to discuss our Global Registry and Share Plans businesses. These are key, large, global businesses for us and we have clear strategies to drive margin improvement and earnings growth. Naz Sarkar will be presenting this material.

We will then break into three groups for the stream sessions. When you arrived you will have been assigned a group color. Follow that group to make sure you see all the presentations. From an Investor Relations governance perspective for the first session, I will host the Blue group, Mark will host the Orange group and Michael Brown from our IR team will host the Green group. Then we will swap out so I get to spend time with all the groups during the day.

In these breakout sessions we will update you on our other major growth engine, mortgage services. It's been a big year since we met here last April. We are making strong progress in delivering the expected UKAR synergy benefits and building scale in the US. Andrew Jones, who runs the UK mortgage services business based in Yorkshire will talk about our progress in developing a platform for growth in the UK. UKAR, our largest ever contract win, is being integrated ahead of schedule. We also have a strong outlook for new origination volumes from Challenger Banks and asset buyers, as well as retail banks over time. The market is structurally changing over there and beginning to open up for us.

Nick Oldfield who runs the US mortgage services business will be presenting a stream session. Our key focus here is building scale in the US to deliver the anticipated returns of around 20% Pre Tax Profit margins and 12-14% post tax free cash flow return on invested capital as we have outlined in previous disclosures. These anticipated returns remain unchanged. While investors have warmed somewhat to our mortgage services business let me remind you our growth is disciplined, measured and of course compliant. Regulatory compliance, and servicing quality, the hallmarks of Computershare, are more important than ever.

Mark McDougall, our Chief Information Officer, will be presenting on our cost out program. His presentation will give you confidence the $85-$100m of cost savings that we have announced are absolutely achievable and on track. You'll be impressed by the depth of the domain knowledge that we have in house on new technologies like process automation. We understand these technologies well and we are excited about the benefits that they can bring to service levels and efficiencies at Computershare. It's nice to be discussing a technology that is actually near term relevant to CPU, rather than one that isn't so much such as blockchain.

By the way, just on blockchain, no change in our position there. It is a balance of opportunities and risks, but is very much a longer term play.

Slide 3

Before we start the individual sessions let me make a few overview remarks. Let's start with guidance. Despite the Corporate Actions market continuing to be subdued we are re-affirming our guidance range for the full year, that we upgraded at the half year stage. For FY17 we expect to deliver between 56c - 58c of Management EPS. As you know, we set our guidance in constant currency.

More significantly than any one set of results though, let me talk about what we are fundamentally trying to do at CPU.

Slide 4

Quite simply, we are building Computershare for a sustained period of earnings growth. Our February results showed that. Execution is underway and on track. As this guidance affirmation shows, we feel we are at an inflection point in earnings. While the modest upgrade to our Management EPS guidance in Feb was pleasing we believe the group can deliver improved organic performance. That's our focus.

So why do we believe we can deliver sustained earnings growth? Well as this chart shows, we have been delivering underlying growth for some time now. The strategies we have put in place are beginning to deliver the expected returns. As you can see on this chart, stripping out margin income, where we have obviously been buffeted by interest rate headwinds, and adjusting for constant currency we delivered 10.6% Management EBITDA growth in 1H FY17. That's over 13% growth per annum on average since 2013.

There is purposeful design here. We have been focusing on what we can control. We have laid out very clear strategies for growth and profitability. We obsess about execution. That's in our DNA. We have used our strong cash flows to invest to grow and strengthen our competitive position and also reward shareholders. We expect this to continue.

Slide 5

So what are those strategies and how do they link together? We think about our investment case in four parts: Growth, Profitability, Capital Management and Optionality.

Let's start with growth. We are building growth engines in Mortgage Services and Plans. We understand Mortgage Services well. It fits well with our core skills of data integrity, high volume transaction processing and the ability to build and maintain trusted relationships with stakeholders. Service quality reduces risk for our customers: cost risk, reputational risk and regulatory risk.

The market is broadening from price to quality in the US. It's a good and timely change for us. We have put the strategic pillars in place with CMC and our buying program is on track. In the UK we have signed exclusive service agreements with the new Challenger Banks as we expect them to originate over $20bn of new loans over the next five years.

In share plans we see cyclical recovery and long-term structural growth. We expect equity to be a growing part of remuneration over time, around the world. The key earnings driver over time is the number of units we manage. That's our latent earnings power. You'll see that in our new disclosures. When these units are in the money and exercised we earn fees. We are building our Share Plans business. We have refreshed our IT, we have a new customer front end and we are broadening our customer base. Our data analytics capability can add new value to customers, enhancing our competitive strength by showing them how effective their plan is compared to the market. As I say, equity compensation is a growing global trend.

Now turning to Profitability, we are improving margins across our businesses by reducing costs. We are running our mature business harder with multiple cost out plans. These plans work. We reaffirm our $85 - $100m target range for Stages 1 & 2 of our cost management program. We are committed to delivering these benefits to our shareholders. Encouragingly we are already beginning to see positive margin jaws in US Registry for example in the first half.

Also let me remind you of the quality of our US Registry business. It's a point that sometimes gets lost in the noise around shareholder attrition. Attrition is not new. It is really only in the US, not in our EU, Asian and Australian registry businesses, where shareholder numbers are either being maintained or indeed growing.

In the US attrition averages around 3% per annum. New IPO's and spin offs are positives and can offset that. The pipeline for spin offs looks brighter and it gets us two shareholders for every one. Customer life time value in US Registry is over 18 years. Most retained clients are at the same fee level or higher. The business generates strong cash flows which we use to invest in growth across the group and reward shareholders. Moreover, the business provides unparalleled access to US corporate boardrooms to enable us to up sell and cross sell.

Back to our cost management program, we are working under the hood on stage 3, it's a sign there's more to come. We will talk more on this when we have clear line of sight on the scale of the opportunities. Undoubtedly more process automation will feature. There will be material savings but we will talk of that next calendar year when we have a firmer, more definitive position. That's our way, we don't speculate on these things.

The third component of our investment case is capital management. Just like we strive to manage our operations well, we also manage our capital well. We are disciplined in allocating capital to enhance returns and reward shareholders. Around 70% of our revenues recur.

We generated strong free cash flow of $150m in the first half of the year and our debt leverage continues to fall. At the end of December our Net debt to EBITDA ratio fell to 1.91x. That's in the lower half of the Board's target range of 1.75x to 2.25x. If that ratio falls below the range, and in the absence of any inorganic opportunities, we would have to consider another buyback. That's a "quality problem".

There are acquisition opportunities out there, but in the "new Computershare" they have to fit with our core skills. They have to be capable of being a significant contributor, around 20% of group EBITDA over time to be worthwhile, and they have to be strategically and financially compelling. We will also continue to sustain and grow our dividend. We have increased our dividend by 10% per annum on average since FY06.

And in the fourth camp, we have optionality. Significant optionality, as macro headwinds turn to tailwinds. I'm glad I am presenting this today and not six months ago when the picture was less clear.

Excluding the obvious point about market sensitivity, we focus on three points:

Firstly, interest rates in the US are rising.

Secondly, President Trump seems determined to cut corporate tax rates in the US.

And the third point is that regulatory "red tape" in the US could be reduced too.

While this oversight creates barriers to entry it also requires a cost structure to serve. These factors are clearly beyond our control and we claim no specialist expertise in economics or political strategy.

But I do know that with 44% of our EBITDA coming from the US, we would be major beneficiaries if changes are forthcoming.

That's optionality.

Slide 6

So in conclusion I would say we have listened to you. We will keep listening to you. We appreciate the engagement with our investors. We are responding by improving disclosures to make CPU more transparent and understandable. We are simplifying the group to enhance growth in our core businesses and reduce risk. We are allocating capital appropriately and judiciously. As management we are all aligned to shareholder returns.

There are challenges, I don't hide from that. Sure we would all like corporate actions to be stronger for example and while rates might be rising in the US they're still extremely low, but we are focused on what we can control and executing our projects well.

We are building a simpler, more transparent, disciplined and more profitable CPU and we thank you for your support by being with us today.

Now that's it from me, over to Mark Davis who promises to unwrap Margin Income.

Margin Income Unwrapped

Mark Davis, CFO

Slide 1

Margin income is an important earnings driver for CPU and inevitably a topic of great interest to investors. We've titled today's presentation "margin income unwrapped" and there are a number of key areas that I want to cover this morning.

Firstly, our view of the near term trajectory for this important earnings driver. We think that the sustained headwind is finally turning into a modest tailwind – we expect FY18 Margin Income to be modestly higher than FY17.

Secondly, I want to unpack some of our existing disclosures to ensure they are clearly understood.

Thirdly, consistent with our aim of improving transparency there are some new disclosures to better help understand the constituent parts of the margin income earnings drivers.

Fourthly, I'll highlight our hedge book where we can introduce duration to enhance yield. Let me make two simple points now, there is no material hedge cliff nor have we limited our upside as rates rise.

Finally, I will be providing insights on our strong approach to governance and will also provide an overview of some of the risks and opportunities in the book.

Slide 2

For anyone new to CPU - by margin income we are simply talking about the income that is generated by Computershare from holding third party balances across multiple product lines and geographies.

As everyone knows, post the GFC central banks globally have been pursuing unprecedented monetary policy that has left interest rates in our key markets of the US, UK, Canada and Australia at historical lows. The consequence of that is that we have seen a persistent drop in achieved yields on the balances we hold. FY17 will be the 10th consecutive year where we have seen such a decline. As you can see from the green line on the slide above we are now earning materially less than what we earned in recent years notwithstanding strong growth in balances.

The silver lining here is that Computershare has considerable latent earnings upside should interest rates trend higher.

While interest rate challenges persist in a range of markets, all things being equal, we'd expect that FY17 should mark the bottom of the margin income earnings compression cycle and the sustained multiyear headwind that you see on this chart should start to become a modest tailwind in FY18.

Slide 3

So where do we hold balances that generate margin income? As you can see on this chart, we have a broad and diversified book across multiple product lines. The key margin income generating geographies are the US, UK and Canada which account for over 90% of margin income generated.

Let me give you some examples of some of the ways we earn margin income across different products.

Deposit protection scheme – this is a government backed tenancy deposit scheme. A tenant pays a deposit on a rental property that goes into the scheme that we administer. The tenant will get the deposit back, usually some years later provided they meet the terms of their tenancy agreement and don't damage the property. The interest income on the balances we hold is the way we are remunerated for the role we play administering this scheme.

Employee share plans also have balances. Take Sharesave, which are savings related options schemes, as an example. Under these schemes employee savers can make a one way bet whereby they save part of their salary and can buy shares at a given price in the future and make a profit if the share price has risen. If the share price falls, they get their money back and this is all conducted under a favorable tax regime. As our role as administrator of such plans, we are entitled to earn interest on the balances that are held under the schemes as part of the remuneration structure.

In corporate actions, balances which we may be entitled to earn interest on can come about in a number of ways. In the M&A context we might act as paying agent for purchase consideration that needs to be disbursed. We can hold balances in the context of capital raisings. In recent years we have been winning escrow mandates where funds need to be held for periods of time by a trusted third party awaiting satisfaction of deal conditions.

In the corporate trust business we are the trustee for certain deposits for regulated savings plans where balances need to be held by an approved trustee and again balances come our way. Typically there is a different remuneration structure here whereby we simply receive a fixed spread and we are not exposed to changes in interest rates.

As new disclosure we have on this slide broken down balances by product between exposed and non-exposed. I'll talk about these terms more shortly.

Slide 4

This slide lays out how we classify balances. There are a few terms of importance here: Exposed and non-exposed and then hedged and unhedged.

These classifications highlight how we manage the book. Of the $16.6bn – the first breakdown is between exposed and non-exposed. We then focus on the $10.3bn of exposed given that we hedge some of this and the rest is exposed to immediate interest rates.

Computershare

Many of you will remember that we talked at the 1H17 results of $4.3bn of interest rate sensitivity balances and how 100bps increase would lead to $43m of EBITDA benefit. While this is correct taking into account our floating rate debt at the PBT level, at the EBITDA the impact is actually higher.

I would guide you to the $10.3bn as the most important number on this page. If rates rise we would get an immediate benefit but also a lagged benefit on the balances currently hedged.

Slide 5

Before we get into the details on the exposed book, let me focus on the non-exposed component. We call these balances non-exposed because they earn either a fixed spread or no interest at all i.e. we may be remunerated via other arrangements. The earnings we receive referable to these balances are not exposed to movements in interest rates.

Slide 6

This slide contains further new disclosure. For the first time we have broken down where the balances are held by business activity and split further the balances that are exposed and those that are not exposed to interest rate movements. We have also broken out the annualised yield of both the exposed and non-exposed portions of the book. We hope you find this helpful.

In 1H17 you can see that we earned a little over 1% on the $10.3bn exposed book. This includes the benefit of term deposits and swaps where we can enhance yield. We earned just under 0.5% for the non-exposed books in total across all products.

In a higher interest rate environment you would naturally expect that the yield gap between the two to be more significant with the exposed balances earning a higher yield.

Slide 7

Turning now to some further detail on our non-exposed balances: As I showed earlier these balances are held from products in different geographies and business lines but they tend to be more heavily concentrated in North America.

Some examples include escrows across a range of products e.g. corporate actions, class actions or corporate trust where clients require us to hold balances for regulatory or compliance reasons.

The quantum of these types of funds can move around materially e.g. large escrow mandates. We have seen growth in recent periods coming from escrow mandates and class actions.

Slide 8

I'd now like to profile the exposed balances.

You can see from the table at the top of the slide that exposed balances have grown over time. These are not constant currency numbers and the recent year growth in balances has been impacted by FX translation and in particular the strengthening USD which understates the underlying growth.

We actively manage the exposed balances to protect and enhance yield and we do that by entering into fixed rate term deposits and fixed rate swaps. When we refer to "hedges" against interest rate movements we are referring to fixed rate term deposits and fixed rate swaps.

As at 31 December, we had 46% of exposed balances that were hedged and 54% of exposed balances that remained immediately exposed to any changes in interest rates, so un-hedged. The hedges currently have a short duration and I will return to this point again shortly.

For the eagle eyed amongst you will notice the sensitivity in the orange circle has been restated to $55m from $43m at 1H17 results. As mentioned earlier, this excludes the impact of the corporate floating rate debt. The underlying sensitivity at the PBT level is unchanged.

Slide 9

On this slide we breakdown the exposed balances by currency of $10.3bn prior to any hedging.

The most important exposed currency is currently USD but GBP and CAD clearly remain important too.

You can see here the hedged amount of $4.8bn, again broken down by currency, that is where the hedges are, and a further breakdown of the residual $5.5bn of exposed balances that were un-hedged during the period.

Slide 10

A few observations on our hedge book:

If we think about the mark to market positions at the moment our fixed rate swaps should be able to be replaced at similar levels. There is no hedge cliff if you like.

On the term deposit book there are some ongoing challenges in the UK and Canada where current market rates are slightly below current positions but there is increasing upside in the USA.

Again, all things being equal, we expect margin income will start to show improvements in FY18.

In terms of how we go about managing the book:

Our treasury team actively manages the book strictly in accordance with our governance policy.

The instruments we use will to some degree vary where we are in the interest rate cycle.

In a low rate environment short duration hedges and floating rate deposits will feature more heavily to ensure we maintain exposure to a change in cycle.

In a high rate environment long duration hedges, either swaps or fixed rate deposits are more likely.

All of this is, of course, undertaken in a strongly governed environment.

Slide 11

This is the profile of our hedge book at 31 December.

You can see here we have short duration hedges to protect the immediate outlook period and also extract some enhanced yield.

The profile of our books shows that we have not locked ourselves out from benefiting from any future rate rises. Around 80% of our hedges as at 31 Dec were set to expire by November this year.

Slide 12

Given the stability of our balances we are also able to put duration into the book to enhance yield above at call rates via floating rate deposits. These deposits will also benefit from any interest rate rises.

In our book, there are some floating rate deposits that relate to our non-exposed balances where we earn a fixed fee and the interest rate exposure on these deposits still rests with the client.

Slide 13

Regarding counterparties, funds are only ever held with counterparties where the client directs us to hold them with or contractually permits us, for example there may be a list of approved counterparties or a need to satisfy a ratings requirement. It's rarer but some funds will be undirected in which case policy requires they be held with strong investment grade banks with limits per counterparty and further restrictions based on duration.

On liquidity, naturally we need to ensure all liquidity requirements are always met. Policy mandates minimum amounts to always be at call with maximum limits at different durations.

Again, given the stability of balances we are able to introduce term.

Significant amounts will be at call at any given time so overnight deposit rates do remain important.

Slide 14

Interest rate movements are managed in accordance with Board approved policy that deals with minimum and maximum hedging parameters of "core exposure". Core exposure really means the minimum amounts that we are always holding and that sets the parameters of our hedging.

Turning now to opportunities and sensitivities: Balances have grown substantially over recent years, driven by organic growth and new products. Factors that might impact on balance levels in the future are client mandate wins or losses, market activity levels, and to a lesser extent faster payment methods in some regions.

Slide 15

Before I wrap up, here is a chart of the interest rate curves across the key regions. As I noted earlier, the USD is the currency where we have the greatest current exposure and we have seen some recent increases in cash rates. The curve has a more positive outlook. The others remain relatively flat but improvements over future periods are anticipated.

Slide 16

As I noted at the outset of this presentation I wanted to help investors understand the breakdown of our balances, how we manage the book and our sensitivity to interest rates.

With $10.3bn of exposed balances we have significant optionality. If rates rise we will see both an immediate and lagged impact.

After 10 years of yield compression we finally expect modest improvements in margin income in FY18.

Global Registry and Employee Share Plans

Naz Sarkar, CEO of United Kingdom, Channel Islands, Ireland and Africa

Slide 1

Good morning, everyone, my name is Naz Sarkar and I am the regional CEO of the UCIA region. Today I'm going to be presenting on our global registry and our global employee share plans businesses. I want to talk about our objectives and our drivers for those businesses. I'm going to reiterate our strategy in those businesses and I'm going to look at the priorities going forward.

Slide 2

I'm going to start with global registry. We have a world leading TA and registry business serving some of the largest issuers in the world as our clients. We enjoy strong long-term customer relationships with our clients. Our objective remains to provide these clients with excellent service, in terms of our core offering, and new related services which will generate new fee income. At the same time we want to develop new services which are directly paid for by shareholders. A combination of these new services and executing on our cost-out targets will help us drive margin improvement in this business.

The business does face some regulatory, market structure and competition pressures around the world, but we remain strongly placed given our deep market understanding, strong record of innovation and delivery, and cost management and our underlying customer focus.

Slide 3

Let me look at some of the numbers in this business and draw out the essential issues. Our global registry business is delivering robust high quality earnings, strong cash flows, and improving margin. Now these numbers which are set out in constant currency based on FY16 show that there has been some overall revenue decline, but much of this is reflective of the interest rate cycles that we faced over the past few years and the M&A cycles that the market has faced. They have negatively impacted the whole of the market in recent years. As a proportion of global revenue and EBITDA, registry remains significant. However, the reduction reflects the investment we're actively making in pursuing diversification, particularly in mortgage servicing.

Slide 4

In major markets where "name on register" is the market model CPU continues to be the number one or number two in the market. In other markets where we principally participate in parts of the value chain, for example AGM services in Germany and other markets, we are also either number one or number two in our chosen markets.

Also, customer satisfaction remains high. Once again, we're either number one or number two in markets in which we participate. Strong customer base, strong market presence and strong customer satisfaction are the hallmarks of our registry business.

Slide 5

Our market leading position is underpinned by strong, long-term relationships with large global issuers. Many of our largest clients have been with us for more than 20 years, and in many cases these clients also utilise our global network which accesses our services in multiple jurisdictions. We have a large range of customers which use our global network to good effect.

Slide 6

The level of volatility in the market is low, and let me just explain what I mean by that in terms of the icons I'm showing here. First of all, let's look at the arrows. What we're trying to show here is the net number of client wins and losses that we see in each of the individual markets as a percentage of the client base in that market. So if you look at what drives client losses and wins, there are a number of factors. We either win clients as a result of IPOs or switch business. We may lose clients either as a result of switch to our competitors or corporate actions which work against us.

If you net all those out you'll see the results of what's happened. We've seen a small decrease in the US., a small decrease in EMEA but growth in Hong Kong, Canada, Australia and New Zealand.

The second icon is the handshake. So what we're really showing here is a number of clients that have re-signed following a competitive tender process as a percentage of our client base in the first half of 2017. Really this is a proxy for the level of RFP or competitive tenders that we face in our markets and you can see it is relatively low. Now you may ask yourself, "What about outcomes when most contracts are either three, four, or five years long?" And the answer to that question is that we may not face a competitive process at end of the contracts, and we may be in a position to re-sign those customers at that point. The point here is that the level of volatility in customer numbers around the world remains low.

Slide 7

Having said all that, we still think there are opportunities for growth in registry driven by both product and service innovation, by leveraging our global franchise and by executing on our cost out opportunities. Mark McDougall will be talking later on our cost out opportunities so I won't steal any of his thunder, but I would like to go through some of the other things that we are doing. As I said at the start, we're developing a range of shareholder paid services across our whole network and we're sharing the outputs of that across the globe as well. Some examples are listed here, and we've either delivered these or we're in the process of delivering them to the market as we speak.

We're always looking to improve our client/issuer proposition. And once again we've listed some examples where we can generate new fees from issuers by developing the services that we provide. We're also actively delivering new revenue from adjacent markets. In North America, in particular, we traditionally focus on listed companies. New regulations allow us to more actively participate in the private non-listed market and provide services for non-listed companies and non-listed REITs as well. This is generating new revenue as we approach this market for the first time and sign new clients in both Private Markets and in REITs.

Slide 8

So, there is a changing market landscape which generates challenges and opportunities in registry. Let me just go through a few of those now. Competition remains robust. We have seen some change of ownership. You will have seen Tricor change ownership in Hong Kong. Equiniti in the UK is now out of private equity ownership and has been fully IPO'd. Capita, also in the UK is in the process of selling a range of its assets, including registry and plans assets and co-incidentally some mortgage servicing assets as well. AST in the US has been on and off the blocks for some time, and we'll keep an eye on what will happen with them over the coming period.

We remain actively involved in market structure changes, particularly in Hong Kong and Australia, and as Stuart mentioned in his introduction, we remain actively involved in terms of blockchain and distributed ledger developments across the market. You heard from Paul Conn on this last year.

We see a strong global pipeline of "spin-offs" or demergers which will drive revenue opportunities both in the US and in other markets around the world.

Slide 9

So, I've talked about attrition. Let me just dig in to that in a bit more detail. We continue to deliver positive margin jaws despite the shareholder attrition that we're seeing in the US. We have seen some decline in shareholder numbers in the US in 2016, and that's been driven by three key factors. Firstly, a loss of clients to our competitors, a loss of clients as a result of M&A activity, and finally underlying structural attrition.

As far as underlying shareholder attrition is concerned, in the US this actually fell from the previous year where it was over 5% to 3.6% in 2016 back down to its historical run rate. It is pleasing to see shareholder attrition settling back down in the US.

Shareholder attrition from M&A is one of those things that goes up and down and is cyclical in nature and partly driven by both customer base and the luck of the draw. We're confident as we look into the pipeline over the coming months and years that the M&A opportunities for us are positive in that market driven partly by the spin-offs I mentioned earlier.

Competition flares up in all of our markets from time to time and it is for us to make sure that we face up to that competition and do something about it. Our UUS. teams are doing exactly that. In other regions shareholder numbers are either stable or are growing. In all cases we will seek to address the impact of attrition through a number of different initiatives and innovations and new revenue streams.

So, that was global registry. It's a mature market, but we have growth opportunities. Volatility is relatively low and we are actively managing our attrition. All of this means that we will continue to seek to drive margin growth in that business.

Slide 10

Let's turn to employee share plans now. In Plans we are seeking to build a global growth engine.

Slide 11

We are combining the benefits of great service and great technology to grow the number of clients we serve and the number of products and services we provide to them. We are looking to grow the value of underlying assets so that we can generate the associated transactional revenues. All of that put together with our recent focus on process improvement is what is going to drive revenue and earnings growth into the future. We're well placed to benefit from structural trends in this market. Equity is a growing part of both all-employee and executive remuneration. Companies are increasingly outsourcing these services and, as Stuart mentioned, the cyclical recovery in the market is allowing us to add transactional revenue to strong issuer paid fee revenue to drive both revenue and earnings. We have clear priorities to enhance our product suite. We have opportunities to deploy service improvement and process automation to drive out cost from this business.

Once again there are regulatory and competitive pressures in this market, but we feel that our full service capability, our deep market understanding, the global franchise in which we operate, and our strong track record will help us meet this challenge. I'll go through what we're doing in a bit more detail over the next few slides.

Slide 12

Let's look at our numbers, and let's look at what the underlying businesses have been doing over the last few years in constant currency terms based on FY16. As you know, we have seen some short and medium term pressure on revenue reflecting the equity markets and the impact of reduced dealing and FX revenues.

Last year when I saw you I talked about the transactional revenue opportunities that we faced. This year we can start seeing that opportunity coming to fruition. Transactional revenues in HY17 were 39% up on HY16. Overall this resulted in a 9.1% increase in overall plans revenue in HY17 compared to HY16. Now, we've got to be careful. There is an element of Brexit impact in those numbers where equity prices in the UK shot up. However, despite that, I think it's important that we believe and we hope that this trend of increasing transactional revenue will continue into the future.

Slide 13

I talked in my introduction about service and technology components in this business, and I want to talk about that in a bit more detail now. When we're providing these services to global clients they're complex, they're multi-jurisdictional, they tend to be multi-lingual, they have legal securities markets, tax, and other components associated with them. Often our clients want to supplement global services with local plans which require local fulfilment and local knowledge.

In order to extract the transactional revenue that I talked about, highly regulated services are required. All of this requires a platform that's able to undertake the core processing and a front end which is able to show employees the level of information and detail and user experience to really allow them to deal with their plans.

So when you put all those components together you can see where CPU has a unique ability to really maximise its opportunity in this market. Our combination of global reach, local knowledge, technology and full-service capability for customers is a great asset. It's a clear and distinct advantage and will help drive growth in this market.

Slide 14

Associated with this is the underlying structural opportunity that I talked about as well. If you look at Europe, the number of companies offering employee share plans has increased from 65% in 2006 to 86% in 2016. We see similar growth in the US. That, combined with our position in the market and our capability gives us the confidence that we can execute our strategy.

Our plans business has scale and is growing. In Europe, in Hong Kong, in Australia and New Zealand, Computershare is the number one provider of employee share plans. In the US, Computershare is number one with regards to contributory schemes, but sits behind the major wealth managers with regards to non-contributory schemes. In Canada, Computershare is number one in contributory schemes, and number two in non- contributory schemes. Customer satisfaction in all markets is good and improving in all markets.

Slide 15

Let's look at the life cycle of a share plan in a bit more detail, and look at the opportunities that we have to generate fee and transactional revenues. Let's start with the plan launch and communication phase. Here there is typically an opportunity to provide either trust or nominee services. There's a real opportunity to use our communications excellence to drive both plan communication and plan take-up, and both of those will generate revenues for us.

As we move into the plan administration and servicing phase, we have a number of opportunities to drive revenue from either our clients or from the underlying employees; either in terms of administration, margin income in certain selected types of plans, or as corporate actions occur in the course of a plan.

These plans also require a high degree of reporting, including financial reporting for company annual reports and tax reporting, as well as analytics to ensure that the plan design is both appropriate and improving.

The vesting phase is the principal area where we drive new transactional revenue, both dealing revenue and FX revenue or, in many cases, employees may also choose to hold their stock at that point.

In the post-vesting phase we can still offer new services, both in terms of reinvestment, in terms of dealing and FX, and for issuers. Increasingly many sectors have claw-back provisions that mean we have extensive periods of post-vest holding as well.

Slide 16

Stuart talked about the latent earnings potential in this market. Here I'm illustrating that by looking at the assets that we hold in our UK plans business. You'll see that there's been significant growth both in the number of units that we hold and the value of those units over the last three years. This helps to show the opportunities that we have in this market in the future because these assets are future trading and FX transactional revenue opportunities for us.   They also represent an opportunity to provide future new services for diversification as well. As you see, we are approaching over 10 billion pounds worth of assets under management in the UK alone.

Slide 17

Our market leading position is underpinned by strong, long-term relationships with large global issuers. In many cases these clients are also our registry clients. We're developing a range of services, including new enhanced data analytics capabilities which provide real insights to our clients. And this data is helping clients today.

SAP and Unilever for example are being helped in terms of modifying their plan designs to get better take-up. We are now in the process of being able to use our data analytics to predict participation take-up for new plans, and this will help build better plans for employers and employees in the future. That's a real benefit that we are providing.

Slide 18

As per registry, the level of volatility in the market is relatively low and once again the numbers here illustrate the net wins or losses per market, and the net number of competitive retentions that we have seen in HY17. We continue to see growth in the US, Australia, New Zealand and Hong Kong/China. In Europe, whilst we have seen some growth to new plans from existing customers, the recent focus has been on service enhancements rather than new client acquisition. As we complete this improvement phase we will be re-focusing on new client acquisition and we expect client numbers to grow.

Slide 19

Similar to registry, there are opportunities for growth in share plans driven by product and service innovation and leveraging our global franchise and some further cost-out opportunities as well. We've worked hard to deliver a state of the art reporting suite to our customers. We've been working on a new IFRS reporting suite that has been rolled out in Asia and will be rolled out globally. And, as I mentioned earlier, our new data analytics tool is already helping customers. In Asia, a new front end website is in the final stages of testing with Baidu, and initial feedback is extremely positive. Europe is next to be rolled out.

Slide 20

Finally, we do face a range of competition in the plans market around the world. In North America, wealth managers are still very active, focused on “asset gathering” arising from non-contributory plans.

There are software only providers and their model relies on clients not out-sourcing their plans administration.

There are local, full-service providers but they are unable to meet employers’ global share plan requirements.

And finally, there are those who want to provide global full-service share plans but all of them need to build out elements of their offer. It is in this context that we believe we are strongly positioned for growth.

As far as the market is concerned there are a number of considerations. We have in the past had particular exposure to certain market segments, for example, oil and gas and mining. This is resolving itself as we continue to grow and acquire clients in new sectors.

The business and service model relies on transactional revenue and that requires regulated service capability around the world. We have the experience and the permissions for dealing with regulation around the world and this is a distinct advantage. Transactional revenue in the plans business is exposed to equity market fluctuations and some limited plans in the UK are also impacted by interest rates.

The sum of this is that we are uniquely placed to maximise the structural growth opportunities in the plans market globally.

UK Mortgage Servicing

Andrew Jones, CEO – Computershare Mortgage Services UK

Slide 1

Hello, I'm Andrew Jones, CEO of our Mortgage Services business in the UK. I'm looking to cover three things today. One is to talk about the business in terms of who we are and what we do. Secondly, I'd like to talk about the to-date performance of the UKAR contract, and thirdly, I want to talk about our go-to-market approach, and some of the opportunities that we are focused on.

Slide 2

So just starting off with a quick summary, I think it's fair to say that in the UK business we're predominantly focused on two things. One is bringing together HML and UKAR, and the second thing is creating a business that is growing organically. I'm pleased to say that on both fronts we're making good progress.

In terms of the UKAR contract, that contract is performing well. From a financial point of view, we expect the returns to be in line with our earlier expectations. Specifically we expect to generate £600 million of revenue and about £100 million of PBT over the term of the contract.

You'll recall that when we announced the contract, we identified a number of key risks. Over the last nine months, those risks have very much reduced in intensity and I'll talk a bit more about that later on. One of the key risks was that, as UKAR sold mortgage assets, we needed to work hard to retain the servicing. Positively, so far UKAR has sold 55% of the portfolio, and we've retained the servicing on all of the assets that have been sold.

From an integration point of view, you recall that we had a lot of work to do to bring HML and UKAR together, and positively we're ahead of where we thought we'd be at this point in time in that process. Our focus now has moved onto the consolidation of the two mortgage platforms, the UKAR platform and the HML platform. We've mobilised that project and we expect the integration work to be completed by the middle of 2019.

In terms of our go-to-market approach, we've had some good success with the Challenger Banks in terms of new entrants coming into the UK mortgage market. We've signed contracts with Sainsbury's Bank, Vida Homeloans, and a third High Street Retailer in the UK that we can't name yet. We've also signed contracts with a leading investment bank in the UK. Sainsbury's and Vida are already live and originating mortgages, and that's the first time we've supported the origination process since back in 2007. We expect these four new contracts to deliver £20 billion of UPB over the next five years, and critically, by FY20 / FY21 we expect the growth of these new clients to offset the natural runoff of the existing book. At that point we will have a business that is growing organically.

Finally, in terms of the retail bank sector, we see a significant opportunity that's opening up there, and I'll talk a bit later about how we're looking to exploit that opportunity.

Slide 3

I wanted to talk a bit about who we are and what we do. Our UK mortgage servicing business has been going now for 30 years, over that time it's built a tremendous amount of domain IP and expertise. I've personally been with the business for 10 years, and have seen it through many cycles of the mortgage market.

The foundation for the business was HML, which was formed back in 1988, as an off spin from Skipton Building Society. HML secured a number of clients who entered the mortgage market and started to originate, and as those clients grew, HML grew with them. At the peak of the market in 2007, HML was managing about £50 billion of loans, and originating for its clients about £1 billion of new loans every month. Post 2007, all the origination stopped, and the focus moved more towards arrears management, and moving closed books onto the platform.

In 2009 we acquired Scarborough Mortgage Services, which was a smaller competitor. Over two years we migrated all of the Scarborough loans onto the HML platform and we closed the Scarborough offices. Positively through this process we retained all of Scarborough's clients. In 2014, off the back of the success with the acquisition of SLS in the US, HML was acquired by Computershare and since then we've really gone from strength to strength. In 2015 we acquired a master servicing business called Topaz from RBS, which filled a key gap in our overall servicing proposition. In 2016 we secured the UKAR contract, and off the back of that retained the servicing as UKAR started to sell its mortgage portfolio, and through that process we put in place contracts with Cerberus and with TSB. Hopefully you saw in the press release a couple of days ago, that UKAR has now sold a further £12 billion of mortgages to Blackstone and Prudential and positively we have retained the servicing again putting in place contracts with these new clients.

Slide 4

So where does that leave us today? In the summary, it leaves us with the position that we have about 60% market share in the UK, the largest player from a mortgage servicing point of view. We have £66 billion on the platform, which is about 2 to 3 times bigger than our nearest competitor. We look after about 600,000 customers; around 34 - 35,000 of those customers tend to be in arrears at any given point in time, so we're doing lots of work helping people in financial difficulty to get out of that position. We have about 58 clients across our different propositions, and we are rated by both S&P and Fitch. From a Fitch point of view, Fitch has given us the highest servicer rating that they've given any mortgage service provider anywhere in the world, which is something we're very proud of.

We are regulated by the FCA in the UK.

Slide 5

We support the end-to-end mortgage lifecycle, in terms of all the steps involved in it. This starts with origination support where we support the process from initial quotation right through to completion. This involves the production of a number of regulatory documents and interfacing with a number of third parties including solicitors and valuers. We support the origination process over the web and over the phone, and we also support direct to consumer and broker based origination. We have a very modern and comprehensive origination offering.

Our servicing proposition is all about collecting payments, producing annual statements, and producing redemption statements. Again, we support this process over the phone and over the web.

In the arrears management space, we work with customers to understand if the loans they've got are still affordable. If there is affordability, we put a payment plan in place. If there isn't affordability, then we support the customer through the repossession process.

Loss recovery is an interesting part of the business that's really developed over the past 2 or 3 years. Effectively, a loss occurs when we repossess a property and we sell it for less than the value of the mortgage and after the sale of the property, there's still an outstanding balance. Historically, the cost of collecting those outstanding balances tended to be greater than the amount you collected, so largely they were unworked. We've currently got about £3 billion of these losses on the platform, and we're using our analytics to really target customers who have a higher propensity to pay, which is delivering some really, really strong results. The analytics is based on a combination of the mortgage data that we've built up over the last 30 years, together with credit reference data that gives up-to-date information about people's financial performance. We can use this data to focus our efforts on customers whose financial position is improving and are more likely to be able to repay their outstanding debt.

From a master servicing point of view, we talked about the acquisition of Topaz and in the master servicing context, we take on more of the regulatory responsibility, and we also oversee the day-to-day loan servicing activity. In the traditional HML model both the client and HML are regulated but the primary responsibility for compliance sits with the client. In the Topaz model we take on all of the regulatory responsibility and we charge a fee premium for this. Today we master service circa £1bn but in 12 months, based on contracts that we have already signed, we will be master servicing £13bn (which is a subset of the £13bn mentioned above).

From a securitisation point of view, we support the securitisation process providing reporting to cash managers and trustees. It’s very much a holistic operation supporting the entire mortgage lifecycle, underpinned by all of our core capabilities.

It's probably also worth briefly saying what we don't do. We never take a financial interest in the mortgages that we service, and we never facilitate the securitization process, we just support that process.

Slide 6

Moving on to the UKAR contract and how that contract is performing. You'll be familiar with this slide in terms of the headings on the left-hand side. These were the key risks that we identified when we took on the contract. Positively, over the last nine months, the majority of these risks have reduced in intensity.

From a financial point of view we said the contract would deliver £600 million in revenue and £100 million of PBT. We still expect this to be the case.

In terms of contract extension, there's still a possibility for the contract to be extended after 7 years. Clearly we're a long way from that date at the moment, and the value of that extension will clearly be dependent on how many mortgages that UKAR still own at that time. As UKAR is selling mortgages, and we are retaining servicing, we're putting contracts in place with new parties like Cerberus, Blackstone, TSB and Prudential. These range in term between 3 and 5 years, and clearly, we'll need to work to retain those contacts as they come up for renewal as well. Positively most of these mortgages have been securitized and we find that these types of securitized portfolios tend to be quite sticky.

From a performance-based pricing point of view, there's an element of our fees that are at risk based on the performance of the portfolio, both from a collections point of view and a redemptions point of view. Performance-based pricing is very much delivering the revenues that we expected it to deliver.

Redemption rates are obviously crucial to us; the faster the book runs off, the less revenue we earn. When we first took the book on it was slightly smaller than UKAR led us to believe and we were compensated for this financially. Since then, positively, the runoff rate has been slower than we expected, which is obviously positive from a revenue point of view.

We've touched on asset sales already, 55% of the book has been sold and we've retained all the servicing. We expect UKAR to continue to aggressively sell assets, with the next sale probably starting in the second half of this year. So we're going to continue to need to focus on retention of servicing moving forward.

From an integration point of view we're ahead of where we thought we would be, and we're now focused on platform consolidation, which I'll talk a bit more about in a minute.

In terms of service credits, our service level performance has been excellent, with about 99% of service levels being met. As a consequence of that, service credit payments have been minimal.

Slide 7

A key facet of the UKAR transaction is that our financial returns are to a degree driven by our ability to bring the HML operation and the UKAR operation together. So how are we doing with that? In the first nine months we have removed about 300 roles from the business, which is a combination of people who've left as a result of synergies, but also as a result of the book amortising. We've established a single management team and we are in the final stages of closing a 250 seat office that we have in Glasgow and moving the work into one of the UKAR sites where there was spare capacity. We've launched Vida Homeloans and Sainsbury’s in one of the UKAR offices where the skills were available to do the work, so we've made savings from a training and recruitment point of view. We've also started to bring together support functions and deploy head office systems.

The focus now has very much moved on to the consolidation of the HML and UKAR platforms and the work involved in that. There are three things that we need to do as part of this consolidation. Firstly, we need to migrate the mortgage assets off the UKAR platform onto the HML i-connect platform, secondly, we need to move the data centre provision from a third party into Computershare. Thirdly, we need to move a number of application hosting activities into Computershare. The migrations will happen over a 12 to 18-month period of time, with the first migration in early 2018. By the middle of 2019, the whole of that integration program will be complete.

Overall, the UKAR contract is performing well, both in terms of the risks that we identified and the integration program.

Slide 8

The last thing I really wanted to touch on is our go-to-market strategy, and how we're doing.

We look at the mortgage market in the UK in three main segments. Firstly, the Challenger Banks or new entrants coming into the market. Secondly, the asset traders, people like Blackstone, Cerberus and Carval who are acquiring mortgage assets and often looking to outsource servicing. Thirdly, the retail banks who account for 90% of the market in the UK, and where predominantly, the mortgage servicing is carried out in-house. Over the last 12 months, we've made some really positive progress with the Challenger Banks and the asset traders and we've also started to make some inroads in the retail banking sector.

There’s a steady stream of Challenger Banks coming into the market. Pre-financial crisis about 15% of the UK mortgage market was provided by non-high street lenders. Post the financial crisis this dropped to 4%. Really, what we're seeing with these new entrants coming back in is that we are returning to the range of providers that we saw pre-crisis. These Challenger Banks tend to be attracted to us, partly because of our digital platform, and partly because of the success we've had launching similar clients in the past. Interestingly, in the period where we've won four new Challenger Bank mandates, our competitors have not won anything at all.

In the asset trading space, our focus has been more defensive over the last 12 months, because most of the assets being sold were already on our platform. However, we do still expect £50 to £100 billion to be sold over the coming years, and that will provide opportunity for us, as well as opportunity to defend what we've already got. We've secured contracts with Blackstone, Cerberus and BAWAG off the back of UKAR transactions. We can now look to expand these relationships. The key thing for us here in terms of why we have had the success we have, is largely because the relationships that we've got in the asset acquiring world where we have been working with all of the major asset acquirers for a number of years. I think it's also fair to say that we've got tremendous amounts of migration experience, which is also crucial here. The key competition that we find here is the asset acquirers themselves who often have in house servicing capability.

Finally, the retail banking space is a relatively new market opportunity for us, and one in which we have started to make some progress. The biggest challenge the retail banks have still got is the need to reduce cost. We've had some early successes in this space having won a contract with TSB where we have also been able to secure some additional mandates. The first key strengths that we have in this space is our scale which means we can compete on price with the big retail banks. Secondly, our migration experience is critical, as any work that we do in this space will involve a large-scale migration. The track record that we've got there is crucial. There's not been a lot of market activity in this space to date, and it's a segment of the market that we're currently working to open up.

Slide 9

Let's look at two of those segments of the market in a little bit more detail. The first one I want to talk about is the Challenger Banks. We've talked about the fact that we expect our four new clients to generate £20 billion of UPB over the next five years. How can we be confident in that assertion? Partly by looking at what's happened in the past. The graph on the left of the chart shows three lenders who have started up in the last four or five years, and shows how many mortgages they have originated. These aren't clients of ours, these are just organisations who are operating in the market in general. The red line is a company called Aldermore which launched about five years ago and has originated about £6 billion as we sit here today. The green line is Metro Bank which launched about 4 years ago, currently it has originated about £4 billion of UPB and the blue line is Tesco which launched about 4 years ago and who currently has a book of about £2 billion.

Tesco is really the outlier here. Tesco focused entirely on a direct-to-consumer offering in a market that was moving heavily towards brokers. It's only recently that Tesco has moved into the broker space.

I think when you look across those lenders, you can see that it is perfectly reasonable to be able to generate £4 or £5 billion over a 4 to 5-year period of time, and that was in a market context which was far more challenging than the one we see today.

The chart in the middle shows the growth in net lending in the UK mortgage market in 2014/2015. What you can see on the left is that the retail banks grew net lending by about 4%. In the middle bar you can see that Building Societies grew net lending by about 9%. In the right hand bar you can see that Challenger Banks grew net lending by 56% in the same period of time, these new entrants are the big drivers of growth over that time period.

On the right-hand side, the chart effectively shows how the Challenger Banks achieved this growth. What we see along the bottom axis is the number of years that the bank has held a banking license. On this y-axis we see the number of entries that the bank has had in the best buy tables. The new entrants have had 60 entries in the best buy tables where as those that have had a banking license for a number of years have only had 10-15. The new entrants have been much more competitive and much more flexible on criteria than the incumbents, and off the back of that they've built volume.

Slide 10

In terms of retail banking - we've talked about this quite a bit already. The chart on the left here shows the cost challenge that the retail banks continue to face. Pre-crisis return on equity for these banks was about 16.9%, post-crisis this dropped to about 10.6% and importantly is still dropping. This is despite significant cost cutting and significant branch closures. We believe that this cost pressure is going to force the retail banks to look at transformational outsourcing.

The chart on the right then looks at some of the key lenders. Lloyds is the largest lender with about £300 billion. We've broken the market down just into three areas of opportunity. Firstly, amongst the big lenders, the top four or five, do we think Lloyds is going to outsource their whole mortgage book? No, we don't. But what we do know is that it still has some legacy platforms which are very expensive to run because of the volume of regulatory change, and it's those legacy platforms that we want to target. The analysis that we've done indicates that the retail banks can make savings of 30% or more by migrating these legacy platforms to CPU.

In the middle of the market, we think there's an opportunity to outsource the whole of the mortgage books for some of these mid-range players, especially where they want to accelerate in terms of digital banking, and where they've got cost challenges.

At the smaller end of the scale, we think there's a shared services offering, where we can have a single back office supporting a number of small lenders. That's three key areas of opportunity that we are focused on.

Slide 11

Finally, a couple of things I wanted to talk about briefly. Firstly, the regulatory landscape, which I think people are quite familiar with. The regulatory landscape in the UK is fairly stable, however, we do see a steady stream of regulatory projects that we need to deliver, and those projects drive cost and resource. For the big retail banks with multiple platforms, that's one of the key things that's driving them towards outsourcing.

We've talked about our traditional HML proposition whereby both HML and the client is regulated, with the client having most of the regulatory responsibility. With our Topaz offering we take the regulatory responsibility, and for this we can earn an incremental fee. Our Topaz offering also opens the market up to non-regulated parties who either want to acquire or originate mortgages.

Slide 12

Finally, just to summarise in terms of key conclusions. The UKAR contract is performing well from a financial point of view and we've seen the key risks associated with the contract reduce in intensity.

From an integration point of view, we're ahead of where we expected to be and we're now focused on platform consolidation.

In terms of the Challenger Banks, we've had some good success with the four clients that I've mentioned, and we've talked about the fact that these four clients will help us to become a business that is growing organically by FY20/21.

Finally, an opportunity is emerging in the retail banking space and we have got a clear strategy in place to drive this opportunity.

US Mortgage Servicing

Nick Oldfield, CEO – Computershare Mortgage Services US

Slide 1

Good afternoon, everyone. My name is Nick Oldfield. Despite the British accent, I'm the CEO of the US Mortgage Services division.

Slide 2

Thank you for giving me the opportunity to talk to you today. I'm going to address five key points:

1. Who we are and what we do in the US mortgage services market
2. What the market opportunity is, and our competitive position within the market
3. What scale in that market looks like to Computershare
4. Our plan to deliver on that scale; and
5. Some of the risks that we're encountering along the way, and how we manage those risks.

And the clear themes that I want you to take away today are that we have a clear, robust and deliverable plan to execute on. That plan is based around:

Strong market dynamics that work in our favour.

An industry need that aligns with Computershare's core strengths.

An ability to differentiate ourselves through service quality, operational effectiveness and capital deployment.

All of which give us confidence that we can deliver the scale required for the returns that we anticipate.

Slide 3

I'd like to start, however, with a recap of the last 12 months. Now, last year when I stood in front of you, we had just closed the acquisitions of CMC and Altavera. And we'd combined both of those with SLS and our servicing business to create the mortgage services division. We set out four broad priorities for FY17. And since then we've been delivering to each. In particular:

We’ve integrated CMC. We've expanded the co-issue program to $500 million on average in UPB purchases per month that we targeted. And we've delivered on the intended synergies emanating from that acquisition.

We've got initial traction in the performing subservicing market. And coupled with the launch of our new private label offering, we're confident that we can deliver growth in subservicing in FY18.

And we've made substantial progress in delivering on our new loss mitigation system, which will go live in August of this year.

Slide 4

I'd also like to recap what it is that we do. Now, we currently approach the market through four key business lines, the core of which is SLS, our servicing business. Now, SLS started life as a special servicer focused on high-touch, nonperforming mortgage servicing and has now evolved the ability to service newly originated performing loans, giving us the capability to service loans across the economic cycle. The three other business lines serve to either drive new business to SLS or to capture downstream revenue opportunities emanating from SLS.

CMC provides execution-only trading programs, helping its customers manage their pipeline risk of new originations. What that covers is the risk that a lender faces between the moment they close a loan to a borrower and the point at which often three months later that they sell that loan into the secondary market. They execute hedging through the purchase or sale of options around mortgage-backed securities. And we execute those trades on their behalf. Those programs give us visibility on levels of origination volumes in the market and the types and the levels of new origination activity that we can anticipate coming to our servicing platform further down the line.

CMC also operates a co-issue program, which is our origination solution. And through CMC we provide capital markets services to its customers, which is the facilitation of the sale of whole loans on behalf of their patrons, cooperative members. And those loan sales can potentially deliver new servicing to SLSbecause the purchasers or the investors in those loans may be looking for someone to service their loans on their behalf. And, finally through CMC we're looking to develop a recapture solution. Whereby we're able to capture or recycle some of the runoff in our book through the acquisition of new servicing.

Altavera was also an acquisition around 12 months ago. This is a small, early stage business, providing outsourced loan fulfilment on new originations. This is the paperwork that's associated with the processing of the loan on behalf of a lender. And we also provide, through Altavera, outsourced diligence services. This involves checking that the key documentation exists on a particular loan when it is sold from one investor to another. And, again, new investors in loans or new buyers of loans are also often looking for a new servicer to take the servicing on.

And, finally a business that we're currently calling Computershare Mortgage Solutions. This was previously a captive business of SLS, providing valuations, property maintenance and management services, and fixing defect title on properties. We are now commercialising those functions, taking them out and selling the core captive business service to third parties. And we've already had some success in the last six months on that.

Slide 5

This slide is an illustrative representation of the relative tradeoffs between the capital intensity and the margins associated with each of those revenue-generating activities. The circles represent the revenue activities. Now, please don't take your rulers out – you are not intended to draw any conclusions from where the circles sit on the graph! There are three points I'd like to make on this particular slide:

Firstly, the balance between high and low capital intensity servicing is what helps build scale faster and at a better overall level of return than from focusing purely on one or the other.

Secondly, the breadth and range of services provides sustainability through the economic cycle and will build stickiness in our client relationships over time.

And, thirdly, please note that not all revenue lines are capital intensive. Indeed, the majority in the lower half of the graph require little to no capital whatsoever. The mix of the business lines is what generates the overall level of returns that we anticipate.

Slide 6

And this is how our revenue breaks down today. 73 percent of our revenue comes from servicing or servicing-related activities. 27 percent comes from non-servicing, capital-light, fee-based activities. Servicing-related is a mix of both capital-intensive and subserviced work. Where we own the MSR, typically, we'll generate 30 to 50 basis points on the MSR or on the unpaid principal balance where it is a nonperforming loan. And if it is a newly originated loan or a performing loan, we typically generate 25 basis points. And where we are providing subservicing instead, that is a fee based on the level of delinquency in the portfolio. And, finally, consistent with Computershare's other business lines, mortgage servicing does incorporate management of the cash balance or the float on the mortgage and on which we generate margin income.

Slide 7

Now, moving to our plan to deliver growth and scale by FY20. We've got three key requirements if we're going to achieve scale in that timeframe.

Firstly, in terms of volume, we see scale as being $100 billion in unpaid principle balance or thereabouts.

Secondly, as we grow scale in servicing, building our ancillary business lines at the same time and getting the right combination of owned MSRs and subservicing, performing and nonperforming servicing is going to be key.

And, thirdly, managing our book effectively. This is the key to delivering enhanced returns in terms of incentive fees, cost of service, collections and level of capital deployed.

Slide 8

Our plan is built on five key pillars. All of which we're working towards to deliver the plan right now. In particular, leveraging MSR purchasers to drive new business. In other words, buying MSRs from customers who also want to have a subservicing partner for the portfolio on which they retain. Operational effectiveness initiatives - whether this is new technology, such as our new loss mitigation system; process automation; productivity management techniques. All of these will enable us to reduce our cost to serve and expand our margin. Managing our prepayment risk will facilitate longer retention of the portfolio and facilitate better returns on our invested capital.

Slide 9

Now, there are two key reasons why we're confident we can deliver on our plan:

Firstly, the market dynamics create a compelling opportunity for us. There's dislocation amongst the top tier one, non-bank servicers in the market. Indeed, at the moment three of the leading four nonbank servicers in the US are all facing major regulatory or financial challenges. And this, we believe, will create room for a high-quality servicer to emerge.

Secondly, market concerns amongst the major client base in and around concentration risk and counter party risk also plays to our favour. The client base, they don't want to just use one subservicer. Because they don't want to have that servicing concentrated just with one provider. But equally, they want to work with a robust counter party. As you have dislocation at the top of the market, it's creating room for a credible player to take more business from that client base. Thirdly, there's substantial fragmentation at the smaller end of the market where many operators lack the scale, the capital, the technology and operational know-how and financial wherewithal to be truly competitive.

Add all of this to the size of the market, our relatively conservative market penetration plans and a continued shift from the banking sector to nonbanking servicing - and the opportunity for Computershare is clear.

Slide 10

We are also confident in our plan because of Computershare's own core strengths and our ability to differentiate. We have a strong track record for servicing quality and have high third-party ratings aligned with continued investment in new systems. We don't originate, so we don't compete with our clients. And, thirdly, we're a strong counter party, as I said earlier, with a track record for operational and technology delivery. And we're very comfortable operating in highly regulated markets.

So if we execute on our plan, we expect to be at scale by FY20. Scale means servicing volume of around $100 billion in UPB, generating returns of post tax free cash flow on invested capital of between 12 and 14 percent. Now, two points I'd like to you take away from this. The first one is that the growth over the course of the period between now and FY20 will not be linear. As we develop the mix over time, we will develop the different levels of business at a different pace. And so the path to FY20 will not be linear.

Slide 11

And, secondly, I want to talk about why we say $100 billion. Well, firstly, $100 billion is a level at which we believe we can generate good quality returns whilst being a level at which we can comfortably manage the level of implicit runoff that we would have. If you build a book to $400 billion and that book runs off at 10 percent a year, you need to find $40 billion of new servicing every year just to stand still. On $100 billion, we only need to find in the region of $10 billion. And we know that, through our CMC co-issue program, we can comfortably deliver that. But at $100 billion in UPB – growth opportunities still remain. For us, it's a stepping point at which we can decide whether we want to continue to invest to grow, focus just on sub-servicing to grow or maintain the portfolio at that level.

Slide 12

Over the next 12 months I expect to see substantial progress. I expect us to increase the size of our subservicing portfolio as we execute on our current pipeline. And as we penetrate the CMC customer base, I expect us to grow the level of flow coming out of the co-issue program at CMC from around $500 million a month on average now to a billion dollars a month.

And, thirdly, I'm expecting us to expand our margin via the benefits that we'll get from further volume or further scaling our portfolio. The implementation of the new loss mitigation system will reduce our operating cost, increase our speed to market and increase our overall compliance environment. The implementation of process automation initiatives that we're actively working on and also the carryover of a number of cost initiatives we've deployed in FY17. Including, as an example, the reduction of surplus capacity in our facilities.

Slide 13

So I'd like to now talk about risk. And, firstly, the regulatory landscape. Now, it's important to stress Computershare operates in regulated markets globally. And regulated markets provide barriers to entry. And this is no different. We're comfortable operating in similar markets.

The primary regulator is the Consumer Financial Protections Bureau, the CFPB. And you may have noticed from the news that they've been fairly aggressive in recent times. There's also been significant political noise around their future. But for now our assumption is that they continue to operate, and it's business as usual.

For our part we take compliance incredibly seriously. Whilst you can never rule out the regulator wanting to review a certain issue or finding a certain problem, we are confident that we have the programs in place to manage our risks effectively.

In particular, our new loss mitigation system substantially improves our control environment whilst we've invested over the last 12 months in strengthening our risk and compliance team and in improving our borrower satisfaction levels, which helps reduce complaints.

Slide 14

And so now to the key risks:

The principal sensitivity in this business is around the level of interest rates. Our sweet spot is a modestly rising rate curve. In particular, interest rates drive the level of runoff in the portfolio. As interest rates drop, people can refinance their loans at a lower rate, at a cheaper rate and save more money. As interest rates rise, run-off slows. Interest rates also impact the fair value of the MSR portfolio, driving increases as rates rise. We also see the level of new originations in the market flex according to where interest rates are with re-financings increasing as rates fall.

And, as I said earlier, margin income is a core part of our revenue base and increases as rates rise.

In FY17 we've seen two distinct interest rate events. Firstly, post-Brexit. We saw mortgage interest rates in the U.S. plummet to historic lows. That drove a significant level of refinance activity. And that was good for CMC and Altavera. But it was less good for SLS, where our servicing book ran off faster than we'd been used to. Post the presidential election in November, we saw a Trump bounce in interest rates. And mortgage interest rates responded almost immediately. Originations slowed. What that meant is that both our average monthly co-issue volume at CMC and our work through Altavera, slowed. But our runoff on our servicing book slowed also. And our margin income went up.

Slide 15

Outside of interest rates we've got other risks that we consider. But overall we're comfortable with our exposure. A couple of points I wanted to highlight:

First of all, as I said earlier, we've invested substantially in regulatory compliance. And we are confident that we don't expect any material adverse changes in the environment over the next 12 months. Secondly, our ability to recycle capital is important to building scale efficiently. We continue to have high levels of interest from parties who want to invest with us. Thirdly, being able to sustain MSR pricing levels is important to ensure that we deploy our capital effectively. And we've been able to maintain the pricing discounts we achieve through the CMC co-issue program despite increasing the levels of volume.

So overall we're comfortable with a level of risk exposure within the business.

Slide 16

Let me now close and leave you with the key priorities and growth opportunities that will enable us to continue to build scale throughout FY18. Firstly, we'll deliver revenue growth through expanding the CMC co-issue program. Penetrating the CMC network for subservicing clients and building out our fee-based, third-party business lines. And, secondly, we're going to improve our operating margin through the implementation of our new loss mitigation system, process automation and operational effectiveness initiatives aligned with the continued addition of scale.

Delivering Efficiencies

Mark McDougall, CIO

Slide 1

Good afternoon, my name's Mark McDougall. I'm the Chief Information Officer and welcome to the Innovation Garage where cool stuff happens. And there's nothing cooler to talk about than cost out programs.

Slide 2

The key take-out that I want you to walk away with today is that we have got an identified set of programs and that stages one and two are already in execution mode. We've also got a long track record in delivery when you look at cost out, whether that's synergy through M&A or through traditional operations areas. Stage three is still in planning mode and we'll talk more about that in calendar 2018. But the key point is we are confident we're going to deliver on the benefits.

Slide 3

So, how have we structured the program? In terms of driving efficiencies we're trying to pull on three levers. The first one is where we do our work. This is looking at a couple of pieces. There's salary arbitrage and there's also real estate savings. You're all familiar with our global servicing model where we put calls into Manila, we do transaction processing in India, and we also have a sizable IT contingent also in India.

On this slide, we're looking at the moment at Louisville, which is in the middle of execution mode. Again, this is about salary and real estate arbitrage for the US region. The second lever is how efficiently we do work, that's not a large capital investment, but rather looking at tools, processes, and the current people we have and how effective we are, whether that's through structure or measurement of work.

And lastly, the exciting piece and the piece that our CEO Mr. Irving's really excited about is the reduction in manual work. Traditionally we have invested in self-service platforms whether that's through web channels or applications, but the world's really moving towards process automation and the digitization of information that comes into our office. And this is an area where we can really take out a lot of cost. These three levers all work together in unison.

Slide 4

Again, in terms of how the program is structured, stage one Louisville is already in execution mode. That's looking at the higher cost geographies such as Chicago and Boston and Jersey. Stage two is made up of a number of programs. Spans of control is how we structure our management to non-managerial ratios; Operations efficiency and how we track productivity within our existing groups; procurement is looking at how we actually leverage our global buying power rather than looking on a region by region basis. And as I said before, process automation is about automating a lot of the back-office processes we currently have. And there are a number of other small initiatives underway as well.

At the AGM and also at our half year results we stated that we would deliver benefits of between $85 and $100 million, so we are reaffirming that we are standing behind those numbers and we are confident we're going to deliver.

Slide 5

Let's talk about some of the detail behind these projects to give you some confidence in what we actually are delivering. Louisville is currently delivering 28% of the benefits in FY17, which is ahead of our original estimate of around 15%.

Slide 6

It's got sponsorship from the top, it’s one of the top 10 global priorities. We were hoping by March to have around 500 roles in Louisville, we're now at 599 with another 170 roles to come by June. And we already seen over 50 Computershare staff with long tenure who have relocated their lives to Louisville.

Slide 7

We have used some innovative techniques in terms of recruitment, so things we haven't necessarily used before, in terms of radio and digital advertising, the use of YouTube videos and also putting up billboards in some of the local universities. The real key with Louisville is how it's been an integration into the community. In terms of the cultural impact, we had a greenfield opportunity. If we hadn't selected one of our existing locations we probably would've fallen into the trap of replicating what we already did. But we actually built this from the ground up in terms of offices and the way we go about our work. So, if you look at the engagement scores in terms of staff survey the people within Louisville have a 20% higher engagement than the average staff across the globe. So, there's new staff who are highly engaged with our organisation, and as I spoke about in terms of corporate citizenship we're involved in a lot of local programs. Louisville is well and truly on track, it's ahead of plan and from a staff engagement point of view very successful.

Slide 8

Moving into spans of control, so this is really looking at how you structure your organisation and how many non-managers report to your management staff. So, in a highly efficient organisation you'll have very large ratios of staff reporting to a single manager down to an efficient organisation where you don't have many at all. So, this program was obviously very sensitive with our staff. It was managed by the global management team and from inception to execution took a period of less than six months. So, in terms of benefit, the delivery was very quick. The project is effectively through execution mode and is now in benefits realisation.

Slide 9

In terms of how Computershare tackled this problem we used a best practice approach, which looked at our current organisational layers. You have to take into account role complexity, so some roles are more difficult or more technical than others and require a smaller span of control. We then took into account best practice, so as you can see up there on the slide you're really looking for ratios of between 1 to 6 and 1 to 7 through your middle-management layers. What we found when we did our current study analysis is that these areas here were actually about 1 to 5 and that was really where the project was focused. Interestingly enough, at the top end of the management chain our ratios were well above 1 to 10.

Slide 10

So, as I stated, the targets have been realised, there's been a 200 plus staff reduction, our ratios in that middle-management tier have gone from 5 up to about 6.6. To be clear, we didn't target just pure operations in terms of taking out head count. It really was focused on middle-management and obviously, where salaries are higher. And the really good thing is that's left us with a best practice target so we can actually measure our organisation in the future for compliance against that best practice model and that we don't revert to old habits. So again, execution mode is complete, benefits realisation is here, it’s a very successful program and done in a very short timeframe.

Slide 11

Operational efficiencies is a really interesting program in that it doesn't really require a lot of capital, it truly works with what you currently do as business as usual. Computershare historically has been focused on macro outcomes, so looking at workforce management with our staff, making sure we hit customer SLAs, making sure we hit regulatory SLAs. But we wanted to see if we have really set the bar high enough in terms of productivity within our current staff. So, we executed a pilot within Australia that looked at our core business and simple and complex processing. The results confirmed that the benefits were actually there. Rather than going to a secondary pilot we're now in initiation mode in our non-core businesses in North America in mortgage servicing and eventually this will provide us with a framework where we can measure core and non-core businesses and compare them between regions and entry region.

Slide 12

So, what is it really doing? The first phase is really looking at productivity. In operations terms you're talking about occupancies, so how many real hours do we have per day for people to do real work. You need to account for the fact that 10% of someone's day is in meetings. You might account for the fact that 10% of someone's day is spent on training, but it's often not the case. So, we had a look at the real occupancy metric we should be using within our operations area. Once you actually have that in your baseline or the new bar you're going to set so to speak, it's looking at intraday management, visually watching what people are doing intraday. This is not a big brother approach, but really about looking at how people get through their work to hit the SLAs that we set. So, you're looking for things like some people might actually go a lot quicker in the mornings and slow off in the afternoons or vice versa. And it was really interesting the results we found and I'll talk about that on the next slide. And then lastly, it's educating our team leaders and managers how to coach staff with those metrics to actually increase the efficiency, but also maintain the engagement.

Slide 13

On this slide, if you have a look at the output of our pilot you'll actually see that productivity increased 19% over the baseline. So, our target for this entire program is 5 to 10% for the businesses we'll apply this to. Even in this small situation we found that people weren't consistent in how they approached their work. And what was really encouraging is that the engagement with this process was very high, so the managers loved the fact that we could work with them in terms of increasing productivity and the staff actually weren't offended and understand we're all actively working on the same problem. So, we have very high hopes for this program and we're looking to mobilise this and globalise this in the coming years.

Slide 14

Now, as a technologist this is something that really, really gets me excited. So, digital ops has got many titles and descriptions, but really what we're talking about is the digitization of information that comes into a company and then using things such as software robotics to automate those processes. So, this is a challenge that a lot of companies are tackling at the moment, but it is very much in startup mode as an industry. And I'm here to say that Computershare is driving as hard as anyone at the moment. In some ways, we're ahead of the curve - we have done workshops all over the globe, we're raising awareness so staff actually think about process automation in everything they do. We've also done a heat map assessment across many of our businesses where we're already building up a backlog and a pipeline for digital ops.

Slide 15

Now, let's talk about what process automation is and then I'll show you a video where you can actually see it in action. It's known by many names - people talk about intelligent process automation, robotics, virtual workforce management. And really what we're talking about is a piece of software that automates the interaction with an existing user interface. We've all seen user interfaces whether it's a website or whether it's a back-office screen and the piece of software is typing into the screen and the widgets. And we manage those pieces of automation through credentials that we give the robot, a username and a password, and we can give it access to the systems and then it interacts that way. So, the size of the prize is really in how much you can digitize at the backend. If you're a company with lots of paper and you haven't digitized your data yet, then this opportunity won't be as high. Computershare has a history of investment in automation and we're in a very, very good place to be able to use that data in a digital format and then automate the processes. The industry is looking at a 3 to 5 FTE to 1 robot ratio at the moment. And when you think about it, you know, a robot doesn't go on holiday, a robot doesn't get sick, a robot didn't go to the Anzac day footy match. It actually can work 24 hours a day and you can assign it across the globe. So, you know, maybe the ratios are a bit higher.

Slide 16

So why is process automation so compelling? You really have to look at the software development and the history of that to understand. If you look at traditional software development, we've built core systems. The time to benefit and the size of investment was long, so you'd have to invest tens of millions of dollars, time to benefit you'd be lucky to get anything within three years. But the business value was very high. Self-service platforms take less time, are less expensive, deliver less value all the way down to the automation of a single piece or a single process within a single business, which may take a year and delivers somewhat of a benefit.

Slide 17

The reason why software automation is so exciting is that there are thousands of processes that can be automated. And this is just not within a business line, but across business lines. So, all of a sudden you might have a finance and a registry process that crosses both of those departments that can be automated. The other piece is time to benefit, so rather than a year or two years to benefit we're talking 6 to 8 weeks. So, we have deployed pods all around the globe, we have five pods currently active and we have a target of being from initiation of that process into production within 6 to 8 weeks. And as I said, the sample size or the opportunity size is in the thousands of processes. So, this completely changes the paradigm in how it can deliver value back to the business and take out cost. When we have been looking at the actual outputs of this we have already got 21 processes in production, we're in start-up mode still and as I said, we are going as hard as any company out there.

We have a target of two processes in production per week across the globe. And our first wave, wave 1 of 12 waves has already delivered its financial targets. And we have another 11 incremental waves of greater and greater benefit being delivered over the coming years.

So, let's go back to the metric of 3 to 5 FTEs per robot. What we're actually finding is that we are validating that ratio. In fact, there is a case in the UK where the average handling time for a particular business process was 10 minutes which is being reduced down to 4 seconds. In the past, where we had a very large problem and had to get a lot of temporary staff - now, that cost to the business has been completely taken out. So that is a ratio of in the hundreds. All right, that's not going to be there for every business process, but as you can see I think that expectation of benefit delivery around the industry has been validated. This is not only for Computershare, but for the workplace in general, this is a game changer.

Slide 18

Just to close out all the key messages, we do have a very well structured set of cost out programs. We understand the dependencies between them and we are planning and managing through those. Louisville is ahead of plan already and on track to deliver. Spans of control is nearly completed and has delivered. The operational efficiencies program has already proved its benefit opportunity and we are now looking to execute on a global scale. And then process automation has mobilised probably quicker than any other program I've seen in this company and is already delivering results as per the plan. So, when you roll all of that up it comes back to the basic fact that we are very confident we're going to deliver on our cost out program and hopefully this presentation has given you the confidence and some of the detail behind that.