COMPUTERSHARE LIMITED (ASX:CPU)

FINANCIAL RESULTS
FOR THE FULL YEAR ENDED 30 JUNE 2018

15 August 2018

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

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

Copies of the FY18 Results Presentation are available for download at:
http://www.computershare.com/au/about/ir/financials/Pages/results.aspx

Solid results – delivering to plan

FY18 Results overview

Management results[1]		
Revenue **$2,247.7m** ▲ 6.3%	EBITDA **$609.7m** ▲ 12.7%	EPS **62.10 cents** ▲ 14.1%

Statutory EPS	Free cash flow	Dividend per share
Actual **55.17 cents** ▲ 13.1%	Actual **$379.2m** ▲ 4.7%	Final **AU 21 cents** ▲ 10.5%

CEO Overview

Stuart Irving, CEO said, "We are pleased to deliver these solid results with 14.1% growth in Management EPS in constant currency terms. This is a record profit for Computershare, and the fastest rate of earnings growth since FY09.

We continue to make good progress in executing our growth, profitability and capital management strategies. Importantly, we are doing what we said we would do, and we are delivering to plan.

Execution is at the core of Computershare. In FY18, we completed several large and complex transactions in some of our events based businesses to achieve the right outcomes for our customers, while also progressing our cost out programs and laying the foundations for future growth.

We continue to build our Mortgage Services growth engine as planned and we are tracking towards target returns. In the US we are building out our revenue model across the mortgage value chain, capturing more margin, while driving scale in servicing. In the UK we are well advanced in integrating UKAR and aligning with challenger banks to drive new volume growth.

The Equatex acquisition is a highlight of the year. It enhances our scale, capabilities and earnings in Employee Share Plans, our other strategic growth engine. The transaction is expected to close this calendar year and we are ready to implement our detailed integration plan to deliver the synergy benefits.

Margin expansion is another pleasing feature of these results. EBITDA margins increased by 150 basis points to 27.1%. Margin income assisted, rising to $175.5m, up 28.9%. This demonstrates our significant leverage to rising interest rates. It is encouraging to see this optionality continue to convert to profitability as rates rise. Register Maintenance is a high quality business which continues to perform with revenue growth in 2H and further margin expansion. Our disciplined cost controls also support margin growth with our cost out programs tracking to plan.

Free cash flow is strong at $379.2m. It self-funds our technology initiatives, growth plans and strategic investments, as well as supporting the share buyback and reducing debt. Today we declare an AU 21 cents fully franked final dividend.

Our strategy to deliver multi year earnings growth is on track. In FY19 we expect to deliver around 10% growth in Management EPS. We expect stronger contributions in particular from Mortgage Services, Employee Share Plans and margin income. We will continue to execute our cost out programs, while the outlook for Corporate Actions and some of the large events fee income at this stage looks slightly more subdued than in FY18."

[1] Management results are expressed in constant currency unless otherwise stated. Constant currency equals FY18 results translated to USD at FY17 average exchange rates.

Growth

- Mortgage Services – EBITDA +65.4%
    - Revenues +9.9%, EBITDA $122.4m, 22.4% margin
    - US growth tracking to plan and target returns. UPB $81.0bn, +35.7%. Capital light sub servicing UPB +200%. Good growth in high margin, capital light, non servicing related revenues, +14.5%, now contribute 28% of total revenue
    - UK Mortgage Services integration progressing well with profitability rising. Encouraging originations by challenger banks
- Employee Share Plans – laying the foundations for future growth and enhanced profitability
    - Equatex acquisition expected to complete this calendar year. Earnings accretive in FY19 - adds scale, capabilities and earnings. Detailed integration plan to deliver $30m synergy benefits per annum; estimated to be delivered over 36 months
    - Investing for the Future Program set to drive growth and improved returns with new platform in China well received
    - Significant earnings potential; $123.9bn of assets under administration with over half in the money

Profitability

- Ongoing margin expansion
    - EBITDA margin +150 basis points to 27.1%, +40 basis points to 20.9% excluding margin income, more expected
    - Margin income improved by $39.3m to $175.5m. 2H18 $97.1m versus 1H $78.4m
    - Increased exposure to rising interest rates, average exposed balances $11.4bn, +11.8%
    - Contributions from large events in Stakeholder Relationship Management and Class Actions
    - Cost out programs on track, $49.4m of costs saved so far. Stage 3 savings announced in April: Total Stages 1, 2 & 3 savings $125m - $155m
    - Lower Group management effective tax rate 28.3%, $6.2m benefit from US tax reforms. Tax Rate assumed to remain broadly similar in FY19
- Register Maintenance organic growth in 2H
    - Register Maintenance performed well delivering revenue growth in 2H and further margin expansion in US
    - Higher Corporate Actions revenue, +26.2%

Capital management

- Free cash flow funds strategic growth, debt reduction and increased shareholder distributions
    - Free cash flow of $379.2m: $89.4m invested in US MSR purchases to build scale. SETL ownership stake increased to 10.8%
    - 3.37m CPU shares acquired during year in buy-back; average price of $14.74
    - Net debt (excluding non-recourse SLS advance debt) to EBITDA ratio down to 1.33x (1.60x)
    - Net debt reduced by $40.2m
- Ongoing strategy to simplify CPU and enhance returns
    - Post tax ROIC 18.2%, +270 basis points
    - Karvy sale expected to close this calendar year
    - Final dividend declared at AU 21 cps fully franked. AU 40 cps for the full year, +11.1%

FY19 outlook

In constant currency, Computershare expects FY19 Management EPS to increase by around +10% on FY18.

Please refer to the 2018 Full Year Results Presentation for guidance assumptions, detailed financial data and the important notice on slide 57 regarding forward looking statements.

For further information:

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