COMPUTERSHARE LIMITED (ASX:CPU)

FINANCIAL RESULTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

13 FEBRUARY 2019

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 1H19 Results Presentation are available for download at:
https://www.computershare.com/corporate

Solid results – performing to plan

1H19 Results overview

Management results[1]		
Revenue **$1,146.5m** ▲ 1.7%	EBITDA **$335.4m** ▲ 14.3%	EPS **35.37 cents** ▲ 15.5%

Statutory EPS	Return on Equity (ROE)	Dividend per share
Actual **47.77 cents** ▲ 52.0%	Actual **27.1%** ▲ 40bps	Interim **AU 21 cents** ▲ 10.5%

CEO Overview

Stuart Irving CEO said, "Computershare is performing to plan with Management EPS increasing by 15.5% in constant currency terms. The improvement was primarily driven by ongoing profitable growth in Register Maintenance, margin income gains and a reduced tax rate. These results demonstrate the strength of Computershare's business during a period of heightened market volatility and global uncertainty.

The execution of our purposefully designed strategic priorities continues to deliver returns. We are investing in our growth engines and building scale in Mortgage Services. Despite the slowdown in US mortgage originations, particularly in Q2, UPB increased to over $92 billion. We also saw good growth in capital light sub servicing work with new client wins. In the UK, we delivered revenue growth aided by new originations and project fees.

The Equatex acquisition in November is a highlight and we are pleased with its early performance. Equatex enhances our scale, capabilities and earnings of our global Share Plans business. It has market leading technology, which we are planning to incorporate throughout our business. Combined with our original UK based Share Plans business, we are now the market leader across Europe. Despite current equity market volatility, together we have greater exposure to structural growth trends in equity remuneration. Integration is underway as we work to deliver enhancements to our customer offering and the expected synergy benefits.

The strategies to improve profitability are driving group margins to new levels. EBITDA margins increased by 330 basis points to 29.3%. Our cost out programs are part of this. The strong margin income performance assisted, rising to $127m, up 59%, on record client balances and higher achieved yields.

Register Maintenance, our largest profit contributor in the group, continues to improve. New global and regional management, sales and marketing initiatives and product development are reenergising performance and drive improving results. US Register Maintenance delivered an excellent result with good organic revenue growth and further margin expansion.

Costs remain carefully controlled with total costs falling by $25m. Stages 1, 2 & 3 cost out programs are progressing well.

Computershare's balance sheet remains strong. Following the completion of the recent acquisitions and continued growth investments, the net debt to EBITDA ratio is below the midpoint of the target range. We also extended the average duration of our debt to over 4 years.

Given the 1H results, today we are upgrading earnings guidance. In FY19, we now expect to deliver around 12.5% growth in Management EPS. With our growth, profitability and capital management strategies serving us well, and the optionality inherent in Computershare continuing to convert into profitability, our commitment to deliver multi year earnings growth is intact".

[1] Management results are expressed in constant currency unless otherwise stated. Constant currency equals 1H19 results translated to USD at 1H18 average exchange rates.

Growth

- Mortgage Services – continuing to build scale
  - Revenue +8.8%, EBITDA $59.6m
  - US growth continued, UPB $92.6bn, +14.3% – resilient performance given weaker market origination volumes. Capital light sub servicing continued to growth strongly with new customer wins, UPB +9.5%
  - LenderLive acquisition completed (31 December) bringing scale to fulfilment activities and opening up a new servicing channel
  - UK mortgage services delivers revenue growth aided by new originations and project fees
- Employee Share Plans – Equatex enhances scale, capability and earnings
  - Equatex acquisition completed. Pleased with early progress. Integration under way. Plan to incorporate technology globally. $30m synergy benefit target affirmed. Well positioned for growth with increased exposure to structural growth trends in equity remuneration
  - Revenues +11.2% with fee revenue, +13.3% and transactional revenue, +8.7% including Equatex. Resilient underlying performance given equity market volatility

Profitability

- Continued margin expansion
  - Group EBITDA margin +330 basis points to 29.3%
  - Margin income improved to $126.6m, up 59.0%
  - Record client balances $21bn, with $12.9bn exposed to interest rates
  - Total costs down $25.2m. Stages 1, 2 & 3 cost out programs progressing well
  - Lower Group management effective tax rate, 25.5% - benefit from favourable settlement of legacy issue
- Register Maintenance revitalised
  - Register Maintenance revenue + 4.4%. New global and regional management, sales and marketing initiatives and product development
  - Excellent performance in US, revenue +5.9%, further margin expansion
  - Register Maintenance and Corporate Actions EBITDA margin increased 330 basis points to 36.9%. Increased margin income offset weaker Corporate Actions activity

Capital management

- Strong balance sheet continues
  - Net debt to EBITDA ratio 1.88x, below midpoint of target range, 1.75x – 2.25x, following acquisitions of Equatex and LenderLive and growth investments
  - Debt refinanced - $550m USPP, duration extended to 4.4 years. BBB/Baa2 investment grade rating
  - ROE 27.1%, +40 basis points
  - Interim dividend declared at AU 21 cps, +10.5%, franked at 30%

FY19 outlook – guidance upgraded

At November's AGM, we said that we confidently expected FY19 Management EPS in constant currency to increase by around +10% on FY18.

Given the 1H19 result, we now expect Management EPS for FY19 in constant currency to increase by around +12.5% on FY18.

Please refer to the 2019 Half Year Results Presentation for guidance assumptions, detailed financial data and the important notice on slide 58 regarding forward looking statements.

For further information:

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