Computershare Limited
ABN 71 005 485 825
Yarra Falls, 452 Johnston Street Abbotsford
Victoria 3067 Australia
PO Box 103 Abbotsford
Victoria 3067 Australia
Telephone 61 3 9415 5000
Facsimile 61 3 9473 2500
www.computershare.com

MARKET ANNOUNCEMENT

Date:	13 February 2019
To:	Australian Securities Exchange
Subject:	**1H19 Results - CEO and CFO conference call script**

Attached is a script of the presentations delivered by the CEO and CFO at Computershare's results conference call for the half year ended 31st December 2018 held on 13th February 2019.

For further information contact:
Michael Brown
Investor Relations
Ph +61 (0) 400 24 8080
michael.brown@computershare.com.au

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.

For more information, visit www.computershare.com

MARKET ANNOUNCEMENT

1HFY2019 Results - CEO and CFO conference call script

Stuart Irving, Chief Executive Officer and President

Good morning everyone and welcome to Computershare's first half 2019 results conference call. We appreciate you taking the time to join us today.

Mark Davis, our Chief Financial Officer is with me, along with Michael Brown, from our Investor Relations team.

On this call I will take you through a summary of the results and provide an update on how we are performing to plan on our growth, profitability and capital management strategies.

As usual, there is a new presentation pack released to the ASX which is full of data on Computershare and our global business. It's also in the investor relations section of our website, Computershare.com.

I will save you the pain of a page turn on a busy day for you, and will focus my remarks on pages 2 and 3 of the deck. Mark will then take you through the slides on our financial results. Then, after some concluding remarks, we will open up for questions.

Also, as a reminder, we will be talking in US dollars and at constant currency (CC) unless we state otherwise.

Okay, let's start.

The three key points I want to emphasise today are;

One - Our business is performing to plan.

It's pleasing to see that when we set out a long term strategy and invest for sustained performance, our results improve. Our growth, profitability and capital management strategies are great examples of this and they are serving us well. They are driving this performance. The optionality that we have embedded into Computershare, is also continuing to convert into profitability. That's by design.

Two – These solid results demonstrate Computershare's strength and resilience.

I don't need to remind this audience how volatile and uncertain the world, and markets, have been. We expect that heightened uncertainty to prevail in the second half. Whilst we came through the first half well, we do recognise the world is a volatile place.

and

Three – Our commitment to deliver multi-year earnings growth is intact.

While it's pleasing to upgrade FY19 earnings guidance this morning, to around 12.5% growth in Management EPS for the year as you can see on page 4, it's about more than one reporting period's results at Computershare. We continue to invest and build the foundations for sustained earnings growth. That's unchanged.

So, let's expand on these points.

Slide 2: 1H19 Executive summary

We show the results highlights on Slide 2.

These are solid numbers. Management EPS is up over 15%.

Management EBITDA is up over 14%. There's operating leverage and further margin expansion in the business.

Return on equity is up a little, at over 27%. We continue to work our capital as efficiently as we strive to run our operations.

We have declared an interim dividend of AU 21 cents per share. That's a rise of over 10%.

To put this result into context;

Many of you will remember the 1HFY18 result, the prior corresponding period. It benefitted from three large events in particular. We had the MetLife spin off, the VW Class action in Canada and a very large proxy solicitation with a US mutual fund. Together they contributed over $60m of revenues. That didn't repeat in this half. We were cycling tough comps, as you would say, to start with.

At the AGM in November we said we confidently expected Management EPS to rise by around 10% this year. We have outperformed a little at the half way stage. Hence the guidance upgrade.

The outperformance in these results was driven mainly by ongoing profitable growth in Register Maintenance, with an excellent performance in the US. We clearly had good margin income gains on record client balances and the tax rate was lower, and finally, there were good cost disciplines too.

While these results are solid, I'll be upfront as always and say, not all businesses fired. Not everything performed well. We have more work to do and these are not peak earnings.

Corporate actions revenue, excluding margin income, was down, reflecting weaker market activity and our Share Plans business, excluding Equatex, was flat. We think it did pretty well to keep transaction fees stable given markets were under pressure.

Overall, I'd say the quality of this result is a solid seven and a half out of ten. There are good points but we can do better.

Now let me take you to slide 3 to give you more visibility of our growth, profitability and capital management strategies.

Slide 3 – Executing strategic priorities continues to deliver strong returns

Those of you who know us well will remember, we set out to design our future back in 2015/16. We purposely planned our growth, profitability and capital management strategies back then to deliver enhanced and sustained returns for shareholders.

In FY17 we started to make some progress and returned to positive earnings growth.

In FY18 we executed on these strategies and our profit trajectory improved.

In 1HFY19 we continued to make progress and these strategies continue to deliver returns.

Let's start with our growth engines.

Equatex was a highlight of the year. The transaction completed in November and we are pleased with the early performance of the business. It enhances our scale, capabilities and earnings. I have met with a number of the major clients and the response has been uniformly positive and they like the combination.

The acquisition contributed $12.4m of revenues in the period. Equatex boosted overall fee revenues, up over 13% and transaction revenues, which were up almost 9%.

Remember that Equatex doesn't have margin income so there's no impact on that revenue line in the results.

Importantly, combined with our original UK Share Plans business, it positions us as the market leader across Europe. We have a greater exposure to the structural growth trends in equity remuneration and greater latent earnings power.

It also enables us to continue to upgrade the customer experience with a mobile first strategy and data insights to help companies attract, retain and reward their key employees. We are already starting to implement the Equatex technology across our global share plans business, with the first clients being upgraded to the platform in May. We are on track to deliver the $30m of synergies across the combined business over the next 33 months. That's going to plan.

Now onto Mortgage Services.

US Mortgage Services continues to grow in line with the plan too. We are building scale. Now remember, we do not originate loans, we are just a servicer and we do not take credit risk.

You'll no doubt have seen that the volume of new mortgage originations across the industry fell sharply in Q2.

I'm glad to say this market volatility did not have any major impacts on us. UPB increased to over $92bn. That's a rise of over 14%.

A significant portion of this UPB increase came on board late in the half, which meant we didn't get a full term of servicing and related fees. There is a timing issue here. You will see that in the revenue line. We also carried the full costs in anticipation of the on-boarding and you will see that in the margin line.

Subservicing UPB, that's the capital light servicing where others own the MSR's or the loans, increased by almost 10%. We won new contracts and continue to broaden and develop our customer network.

We also made progress building out our model across the mortgage life cycle value chain. You'll remember we spoke a lot about this at our Investor Day. That's our play book, starting way back in the early Registry days. It's how we build margins. With the LenderLive acquisition, which completed on 31st December, we now have scale in fulfilment. LenderLive also opens up a new servicing channel for us. It's a logical and complementary fit. There's a page in the appendix which gives you more details.

In UK Mortgage Services we delivered revenue growth. We benefitted from new mortgages originated by the challenger banks, and project fees and are close to completing the large scale platform move from UKAR to CPUs own systems.

Moving to profitability, these strategies are driving group margins to new levels. EBITDA margins in first half increased by 330 basis points to 29.3%.

The strong rise in margin income and our cost out programs are part of this.

Margin income increased to $127m, an increase of 59%. I have to give credit to the sales teams who fought hard for these balances.

Average client balances increased to a record $21bn, buoyed by some large corporate actions. We have a clear strategy to grow balances to increase our earnings power, but they do move in and out. We are not expecting balances to remain at this level for the second half.

We had an average of $12.9bn of balances exposed to interest rates. The average achieved yield on these balances in the period was 1.6%. While future interest rate expectations have moderated recently, this is still a low yield on a large exposure.

On costs we affirm the $125m - $155m of total gross savings from all three programs. But we have brought forward an extra $3.8m of gross savings into FY19.

This is another example of doing what we said we would do, and making good progress.

Register Maintenance, our largest profit contributor, is also part of the margin story. This business delivered an excellent performance and continues to improve.

Revenues increased by 4.4%, with a faster rate of growth in the US. Combined with Corporate Actions, which were subdued, EBITDA increased by 16%. Margins increased by 330 basis points to 36.9%.

We are reenergising the Registry business. We have appointed new global and regional management. Naz Sarkar, who many of you know, has taken over as Global Head of Issuer Services and has relocated to New York. He brings a terrific growth focus and commercial strength to the business. We have appointed Jennifer Warren as the new Head of US Registry. She is very well credentialed, joining us from CIBC. We have refocussed our front office sales and marketing initiatives and new product development is opening up additional revenue opportunities. It has always been a strong customer franchise with great retention, and great to see it has momentum.

Our capital management strategies continue to enhance returns.

The key point here is that Computershare's balance sheet remains strong. We spent around $420m on Equatex and $32m on LenderLive in the half. We invested a further $46m in MSR's in our US Mortgage Services growth engine and $34m in capex, including a new data centre build out in the US.

Including these, our balance sheet self-repairs. We finished the year with a net debt to EBITDA leverage ratio of 1.88x, which is below the midpoint of our target range. Our conservative balance sheet positions us well to complement our organic growth trajectory as suitable inorganic opportunities arise.

On that point I'll take the other pages as read and hand over to Mark for the financials.

Mark Davis, Chief Financial Officer

Thank you Stuart.

Slide 11 – 1H19 Management Results summary

I will begin on slide 11 and take you through our financial results.

Starting with group revenue. Revenue increased by 1.7% on pcp, with margin income increasing by 59% to $126.6m. We'll cover some of the moving parts later in the presentation.

Management EBITDA increased by a pleasing 14.3% to $335.4m. Clearly the improved revenue mix flowing from the higher margin income has helped these numbers.

Amortisation increased to $21.3m a rise of 31.5%. This reflects the investments we have been making in US Mortgage Servicing rights, which we amortise through the management P&L.

Interest expense was higher at $33.1m given the combined impact of the increase in net debt largely acquisition related, and higher interest rates.

Our effective tax rate for the half was a little lower than expected at 25.5%. You may recall in August one of our guidance assumptions was for the group tax rate to be broadly similar to last year's number at 28.3%. A key part of the difference was a favourable settlement of a legacy tax matter, around $3m. We now expect the rate for the full year to be around 27.5%.

Management NPAT was up 15.1% to $192m and, as Stuart mentioned, Management EPS was up 15.5% to 35.37cps.

Slide 12 - FY18 Management NPAT Analysis

Let's move on to page 12 - NPAT analysis.

As you have seen before, we show the bridge here from 1H18 NPAT on the left to 1H19 NPAT at actual FX rates on the right.

The main movement in profitability is the $47m increase in margin income in the half. There is also a good story in EBITDA excluding margin income. As Stuart mentioned, the prior corresponding period included $60.8m of large one off event based revenues which did not recur in this half. It is a pleasing result to hold EBITDA broadly flat given this high base.

Computershare

Slide 13 - Management revenue by business stream

I'll now turn to slide 13. Here we break down our Management revenue by business stream.

Total Management revenue increased by $18.7m, a rise of 1.7%.

Within Business Services, mortgage services revenue grew by $23m offsetting the decline in class actions where the VW matter was a major contributor in the pcp.

Register maintenance increased revenues by $14.6m and approximately half of this was margin income. Growth was achieved primarily in the US, UK and Hong Kong. Corporate actions revenues increased by $8.0m but would have been down $11.5m excluding margin income. There were fewer large transactions in the period.

Employee share plans revenue was $11.9m higher. Equatex added $12.4m showing underlying revenue being broadly flat.

SRM revenue was down by 38%. Again this is a case of the pcp benefitting from a major US mutual fund transaction.

Slide 14 - Management revenue bridge

On slide 14 we detail these changes in a management revenue bridge.

Slide 15 - EBITDA and margins by business stream

We highlight EBITDA and margins across our business on slide 15.

We had a more profitable mix of business this half versus the pcp.

Margin income increased by $47m, to $126.6m. Excluding margin income, EBITDA margins improved a little to 20.5%.

I would call out register maintenance and corporate actions margins increasing to 36.9%. This was due to some large corporate actions balances and ongoing margin expansion in register maintenance.

This margin expansion continues our multi period track record, which you can see in details in the appendices on slide 27.

Slide 16 - EBITDA and margin income by business stream

Moving now to slide 16, where we detail margin income by business stream.

Margin income was driven by interest rate rises in the US, Canada and UK and we achieved record average balances during the period. I would echo what Stuart said. We do not expect these balances to remain at these levels in the second half. It was a tremendous jump.

The business streams that really benefited from the higher margin income were Business Services and Corporate Actions, increasing by $19.9m and $19.5m respectively.

I'd also call out that Karvy will not be included in our numbers moving forward. It contributed over $9m in the half. But of course we now expect a growing contribution from Equatex.

Slide 17 - Operating costs analysis

Turning to slide 17. You will see that overall costs fell by $25.2m. Falls in the cost of sales account for $18.5m of this reduction. Essentially we replaced lower gross margin event based revenues with margin income which is naturally more profitable.

Let me break down the 0.4% increase in personnel costs.

The fixed component increased by 2.2%. This includes the net personnel cost contribution from Equatex and Karvy. Excluding acquisitions and disposals, the underlying increase was a more modest 1.1%. The variable labour costs fell by 21.4% reflecting the costs incurred in the large one off events in the PCP.

Occupancy costs also fell by 14.1% to less than $40m, as we continue to rationalise our property footprint.

Slide 18 - Cash flow summary

I'll highlight some timing factors on our cash flow on slide 18.

Our net operating receipts and payments have reduced by $5m compared to the pcp, where we had an excellent collections period. This half was impacted by the timing of the collection of receivables. This was the primary factor resulting in the reduction of free cash flow which fell to $122.6m.

Net interest and dividends increased by $11.8m representing the one time cash costs associated with our refinancing, high interest costs on the back of rate rises and increased debt amounts.

We spent $33.6m on capex. FY19 will have a higher than the normal capex run rate driven largely by the costs associated with the build out of a new US data centre and a technology hub in the UK.

You will also see again, the capex for MSRs split out between maintenance and growth investments. We spent $20.4m on maintenance to offset amortisation and, as you can see towards the bottom of the slide, we spent an additional $25.3m to grow the book.

We invested a further $6.6m to fund additional advances, with the balance of the increase in advances funded via our non-recourse debt facility.

The final comment on this slide is that investing cash flows include the acquisitions net of cash acquired and the Karvy disposal proceeds.

We expect our working capital position to improve in the second half of the year.

Slide 19 - Balance sheet

I'll close my comments on slide 19.

Having funded both the Equatex and smaller LenderLive acquisition and our growth investments and higher capex and increased the FY18 final dividend, our balance sheet remains strong, with the leverage ratio below the mid-point of the target range.

We have also extended the duration of our debt with the refinancing of our US private placement. This was a $550m transaction with 7 and 10 year tranches.

The duration is now 4.4 years.

And finally our return ratios.

Post tax return on equity edged up higher again to 27.1% and our post tax ROIC was 14.9% which is a healthy premium over our WACC and reflects the increase capital invested in the business late in the period.

I'll now hand back to Stuart for closing remarks.

Stuart Irving, Chief Executive Officer and President

Now, let's finish on slide 20 of the deck.

Slide 20 – Conclusions

I am pleased to report, Computershare continues to deliver solid results. Continuity and consistency are important to us.

Our growth, profitability and capital management strategies continue to serve us well and we remain relentlessly focussed on execution. It's also pleasing to see the optionality, inherent in Computershare, convert into profitability.

But as I said earlier, it's about more than one reporting period's earnings growth. We continue to lay the foundations for sustained growth.

Our US mortgage services business clearly has scope for growth and, whilst we are considered and risk averse, we can carefully grow this business for years to come.

Equatex strengthens our Share Plans business. Despite current equity market volatility, we are integrating and upgrading our customer offering. We will be even better placed to benefit from the positive structural growth trends and latent earnings power in that business.

Registry maintenance is reenergised. That's really encouraging.

The cost out programs are on track and margin income should remain a positive.

And while the results are solid, we can do better. Our events based businesses clearly have upside potential.

Computershare's balance sheet is strong and we are well placed to fund any inorganic additions to complement our organic growth.

We have a positive outlook with upgraded guidance for this year. More importantly, our multi-year sustained earnings growth remains on track.

Now I would like to end by saying a few 'thank you's.

We appreciate all the interest and support that our shareholders give us. Thank you, and we look forward to seeing many of you on the road over the next few days.

And finally, thank you to all our staff around the world, whose hard work and dedication to delivering great outcomes to our clients is at the core of these results.

Now, on to questions.