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MARKET ANNOUNCEMENT

Date:	7 April 2020
To:	Australian Securities Exchange
Subject:	**FY20 Guidance Revised – CEO Investor call script**

Attached is a script of the call delivered by the CEO for the FY20 Guidance Revised Investor call held on 7th April 2020.

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This announcement was authorised to be given to the ASX by the Company Secretary

Computershare (ASX:CPU) is a global market leader in transfer agency and share registration, employee equity plans, proxy solicitation and stakeholder communications. We also specialise in corporate trust, mortgage, bankruptcy, class action, utility and tax voucher administration, 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 12,000 employees worldwide.

For more information, visit www.computershare.com

MARKET ANNOUNCEMENT

Guidance Revision | April 7th 2020

CEO conference call script

Stuart Irving, Chief Executive Officer and President

Good morning everyone and thank you for joining this call today.

Nick Oldfield, our CFO, and Michael Brown from Investor Relations are here as well.

We last spoke to you on March 11th, that seems a long time ago now. As you'll be aware, since then interest rates have changed again, and market conditions have regressed.

On this call I will take you through these recent changes and explain how they impact our trading performance and earnings guidance.

I'll also provide updates across our major business lines and what we are seeing through this fluid landscape.

We have released a new presentation pack to the ASX, which I will refer to during this presentation.

Slide 2 – Providing guidance in volatile macro conditions

Moving to slide 2, before we start, you might ask, why haven't we just withdrawn guidance? The macro environment has clearly become more volatile.

Well, our long-held view is that we should do all we can to assist investors, particularly in these difficult times.

While predicting transactional revenues has become more challenging, around 80% of Computershare's revenues are recurring. We do feel we have a good line of sight on the numbers through to year-end.

Slide 3 - Operations overview

Now just before we get to the business updates, just a few general updates on how we as an organisation have been responding to COVID-19.

As a global business we have been dealing with this since February. Our China business has been down since then and moved to a work from home regime.

Due to our role in financial markets, we are deemed a critical service provider. We have over 80% of our staff working from home.

Fortunately, prior investments in workflow planning allow us to determine and track productivity levels.

All systems and sites are operational. There have been occasional fires to put out but we are managing through this to provide certainty to our clients.

I'll move to page 4 and address the guidance change.

Slide 4 - Guidance revised; margin income updated

FY20 Management EPS is now expected to be down around 20%. You'll remember we previously said it would be down around 15%.

The recurring revenue "core industrial" Computershare that we talk about is performing resiliently. It is not entirely immune to what is happening out there, but the underlying fundamentals have not changed.

Interest rates have changed though. The US Federal Reserve, Bank of England and Bank of Canada have undertaken further rate cuts earlier than expected

These changes are strong responses to support economies through the virus outbreak, but they happened earlier than we anticipated.

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Coupled with the US Government's moratorium on mortgage foreclosures and equity market volatility, impacting transactional revenue in Employee Share Plans, we are seeing some additional pressure on our earnings.

We do see opportunities in our counter-cyclical businesses in Bankruptcy Administration and in equity capital raising and we will discuss this further in the deck.

Turning to our margin income in more detail.

I'll move now to slide 5.

Slide 5 - Margin Income

These latest rate cuts have pushed the forward curves down further. Our methodology for forecasting margin income revenue is to apply the rate changes that have happened to the forward curves as they stand today.

The other variable in forecasting margin income revenue is average balances.

We now assume average client balances will be around $13-14 billion for the fourth quarter of this year, and the average in FY21 to be around $14-15 billion.

We have assumed an initial 'corona shock' on slower M&A activity and some client dividend cancellations.

Balances are then expected to rise modestly through FY21 as Mortgage Services in the US continues to grow, and our Class Actions and Bankruptcies businesses enjoy heightened levels of activity.

FY20 Margin income revenue is expected to be around $180 million. It was around $185 million before.

FY21 Margin income revenue is now expected to be around $100 million. That's down by $15 million.

You can see these stats represented in chart form on this page.

I'll now give an update on the key business lines and turn to slide 6.

Slide 6 - Issuer Services

Let's start with Issuer Services, our largest business.

Register Maintenance has a strong fixed fee component of between 60% to 70% of revenues. They're largely unaffected.

We also earn fees for services provided directly to shareholders.

US shareholder paid activity is down in March due to reduced trading levels and sales commissions. What we saw is that through early March, levels held up but then dropped the last two weeks of March.

There is no evidence yet that Dividend Re-investment take up is changing but it's possible given the decline in share prices.

As for dividends, we have seen 84 clients globally suspending dividends to date. We facilitate over 20,000 dividends a year, so the impact to dividend payments currently remains less than 1%.

In meeting services, we help companies with their Annual General Meetings. It is an important revenue stream for us.

With the restrictions on public gatherings, these meetings are now switching to virtual and we can provide that capability for our clients.

We are executing on the majority of our client's AGMs. Over 6,000 are in our pipeline with less than 200 postponed or cancelled. We expect the deferral of revenue for postponements to be around $2 million to $3 million with this revenue now pushed into FY21.

Slide 7 - Issuer Services

Moving to slide 7. Still Issuer Services, but really Corporate Actions. Corporate Actions has two sides to it. In the short term, it is being impacted by subdued M&A activity.

At the beginning of March, we were actively engaged in over 260 Corporate Action events globally. As time progressed only 21 events have cancelled to date. For those that did cancel, we are still able to recover part of the fees.

But there is a good opportunity in capital raisings.

Back in 2009 we had a bumper year in Corporate Actions. You can see that on the chart. Companies launched rights issues to repair their balance sheets post GFC. While balance sheets are no doubt in better shape, we have seen some clients come to the market already to raise capital to weather the COVID-19 storm and we expect more in the coming weeks.

Now let me move onto Stakeholder Relationship Management, I called out that we had line of sight on a large mutual fund proxy solicitation job. That work is still underway and on track to mail next week.

And finally, to Corporate Creations, the acquisition we closed last month. Net revenues are up 10% for March compared to last year, and filings are up 20% for this March versus the PCP as well.

We expect Corporate Creations and the Registered Agent business in general to be a stable, steady growth business.

So, registry continues to be a resilient business as we provide critical services for corporates during this difficult time. In fact, even during March, we won a number of clients across registry and entity management. A number of clients have remarked to me recently, now is the time they are glad to be with Computershare with our strong balance sheet, as well as our robust business continuity plans which allow us to continue to service and communicate with their shareholders in their time of need.

Slide 8 - Employee Share Plans

On to Employee Share Plans, slide 8, Plans was performing well up to February and demonstrating structural growth and the benefits of the combination of Equatex into Computershare. This is evidenced by the February year-on-year outcome with higher client paid fees as well as higher transactional fees.

Going forward, again it's a case of two different revenue streams.

The contracted issuer paid fees continue to recur. They are not impacted.

However, the sell-off in equity markets is impacting the transactional revenues.

These are the dealing fees employees pay when they exercise units or options. The fees, like brokerage fees, are sensitive to equity market levels.

Now the structural growth story in this business is intact and we are expecting to see an increase in issuance by employers to offset recent value declines. We call this the "equitisation" of remuneration and it is good to see it is continuing. Looking at some of our regions, we have seen issuance of stock units in the month of March against the same period last year to be at times up close to 40%.

Slide 9 - US Mortgage Services

Looking at slide 9, I'll now update you on US Mortgage Services and also provide some colour on our UK business.

First, we have had a lot of investor questions about refi activity. In a normal environment, if the Fed cuts rates then normally mortgage rates track lower and refi activity increases.

Mortgage rates dropped initially as the pandemic began, but spreads have widened since to reflect the economic uncertainty. Refinance activity has slowed over the second half of March and should slow further as "shelter in place" widens.

Secondly, strip sales.

Our ability to complete excess strip sales in this market is intact. It's a large and liquid market over there.

We expect to invest around $25 million in mortgage servicing rights in 2H. That's well down on the $140 million we spent in the first half. As we said, the next stage of our growth in this business will be less capital intensive.

The third point to cover is the impact of forbearance, or mortgage holidays. You will have seen the US Government has put in place payment holidays for mortgagees. The payments roll up to the principal and will be repaid at a later date. The government has also imposed restrictions on foreclosures.

The mortgage payment holidays don't impact our servicing revenues. However, the stops on foreclosures will temporarily impact us. This is a factor in revising guidance as I talked about.

Slide 10 - US Mortgage Services

Let's talk about the issue of advances and the risk of rising delinquencies on slide 10.

To recap, an advance is where a mortgage servicer puts up capital for the bond holders to cover 120 days of mortgage payments should the mortgagee default.

At Computershare, our advance funding risk is really focused on our performing Freddie Mac and Fannie Mae MSR portfolio.

If the performing loans that we service for Fannie Mae and Freddie Mac go into default, we are liable for the first 120 days payments.

Let me take you through a simple sensitivity analysis to quantify this risk.

For every 5% of total Fannie and Freddie borrowers that don't pay their loans, our advance liability would be approximately $28 million.

Now to put this into perspective, Freddie and Fannie loans are strong credits. In the depths of the GFC, when house prices were plummeting the default rate on these books was only around 5%. You can see that on the chart on this page.

Whilst we anticipate increased non-performing loans, we have strong bank support for this type of 'advance' and remember this also converts into additional fees for modification further down the track.

We have already had a number of inbound requests about our capacity to take on delinquent sub-servicing. So if we do see a rise in non-performing, we are very well placed. Funding is in place for our own advances and the skills, systems and capabilities are in place to increase sub servicing of these types of loans.

Finally, moving quickly to the UK, two points to share. One, the planned migration of the third party loans to our system by May is still on track from our perspective. We will get the cost synergies we planned for.

Secondly, we have been working with the UK government to facilitate its own mortgage holiday. Again like the US, it does not impact our revenues although it does slow down amortisation on the book.

Slide 11 - Business Services

Moving to slide 11, in Business Services, the most counter-cyclical business we have in Computershare, Bankruptcies, is beginning to ramp up.

This is US Chapter 11 Bankruptcy Administration.

The global pause in business that's pushing companies to the brink of failure hasn't yet caused a spike in bankruptcies. But I suspect it will.

Whilst filings in Feb and March may be lower than last year, you can see what is happening.

The Bankruptcy Advisors are extremely busy, and they are getting with the lawyers to prepare for court filings, and we are at the end of that chain, helping with some of the pre-file work but waiting on the actual filing.

We currently have 12 Bankruptcy cases won but not filed, with six won in the past two weeks. Compare this to last calendar year, where KCC filed only 24 new cases for the whole year.

While it is not a business I have spoken about much over the last few years, I am very grateful for its improving contribution in these challenging times!

Slide 12 - Balance Sheet

Now onto Slide 12 – a few things on the Balance Sheet.

At 31st March Net Debt to Ebitda was at 2.20 times. Since the half-year, we made the Corporate Creations acquisition and paid the interim dividend. We expect this number to drop to around 2.15 times by year-end.

We also provide some information on funding costs and the benefit we should obtain through FY21. FY20 will be fairly modest.

And finally, just some information on the debt maturity profile.

We have started the work on the $450 million tranche due in a year's time and will look at options to blend and extend. That work is underway. We have a syndicate of top-rated banks in that facility and we expect strong support.

Slide 13 - Management EBITDA

Finally, onto slide 13. Computershare has worked hard to build a quality business with high recurring revenues and you can see that progress very clearly with this slide.

Stripping out margin income and FX you can see that we are a resilient organization. Now we are not immune to the unprecedented business slowdown, but We have strong free cash flow, non discretionary services, a strong client base and opportunities for the optionality in Computershare to convert to profitability.

Now in the interest of time, I will close off here and now open the line for questions.

Wrap up

Thank you all for joining us on the call today, as ever we do appreciate your interest and support.

Let me say again, whilst it is frustrating for me to have to revise guidance again, especially so soon after the last change, I hope you obtained a better understanding of what we are seeing at Computershare and how we are placed at the moment.

We also commit to keeping you up to date in the coming months with what is happening around the group. We would normally do an Investor Day in late April but whilst we are dealing with the moving parts, we will likely defer that to later in the year but come back to you in May for a further update.

Thanks again and we are always available for follow up questions.