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MARKET ANNOUNCEMENT

Date:	3 October 2023
To:	Australian Securities Exchange
Subject:	**Sale of US Mortgage Services business – CEO Investor Call Script**

Attached is the CEO script from the Investor Conference Call held on 3rd October 2023 on the sale of Computershare's US Mortgage Services business.

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This announcement was authorised to be given to the ASX by the Group CEO.

For more information, visit www.computershare.com

MARKET ANNOUNCEMENT

Computershare

CEO script – Investor Conference Call

3rd October 2023

Stuart Irving - Chief Executive Officer and President

Good morning, everyone and welcome to today's investor conference call.

I have Nick Oldfield our CFO and Michael Brown from our Investor Relations team on the call.

Today I will take you through the Announcement we have made to divest 100% of our US Mortgage Services business to Rithm Capital Corp or "Rithm". I will also touch on our recent acquisition of Morgan Stanley's UK and European Share Plans Business, Solium UK.

Both are important strategic developments for Computershare. The transactions are firmly in line with our strategy to simplify Computershare, strengthen our core businesses and improve the quality and consistency of our earnings. They are good steps forward in executing the plan.

Following the presentation, we'll open the line for Q&A. And finally, just to remind you we will be talking in constant currency (CC) and USD unless we state otherwise.

Divestment of US Mortgage Services

Let me start with the sale of US Mortgage Services. I'll take you through the transaction details and then comment on the significance for Computershare.

In August we announced that we were undertaking a strategic review of this business. We completed the review and determined that a full divestment of the business via a competitive process would be in the best interests of all shareholders.

We are pleased to announce today that we have entered into a definitive agreement to divest 100% of the business to Rithm for an estimated consideration of $720m.

The final sum will be adjusted for movements in the MSR portfolio up to closing. We will continue to acquire MSR between now and then, but expect to sell the majority of new MSR acquisitions on a forward flow basis to Rithm as we go.

The sale price values the US Mortgage Services business at roughly 1.0x Tangible Net Asset Value as at 30 June 2023 under U.S. GAAP accounting.

Many of you will remember us saying these businesses trade at around 1x tangible book value rather than on an earnings multiple so we consider it to be a fair price.

The transaction is expected to result in a one-off statutory loss on sale of roughly US$150million - US$180million under IFRS accounting. The non cash loss reflects variances between IFRS and GAAP accounting, goodwill allocations and estimated transaction costs. This non-cash impairment does not impact the underlying performance or cash flow of Computershare.

And to be clear, this is an accounting driven loss only. If I step back and look at all the actual cash deployed into this business since we first entered into US Mortgage Servicing back in 2011, including

MSR purchases, I can see that we're marginally ahead from a cash perspective on our investment overall.

Computershare will continue to provide some technology and operational support for the business for up to 12 months under a limited Transitional Services Agreement to allow a smooth transition for our clients and our employees into Rithm's environment.

Who is Rithm and why is the business a good fit for them?

Rithm is a NY based asset manager focused on real estate and financial services. It is listed on the NYSE with a market capitalisation of around $5bn. Unlike Computershare, it runs a vertically integrated model in mortgages. It is a top five non bank mortgage originator, owns a c.$600bn MSR portfolio and services the majority of its loans in house.

Importantly, it has strong mortgage industry credentials and the ability to bring capital to scale the business further. With its track record of successful M&A execution and integration, we expect a smooth transition for the business and our customers.

What are the financial implications for Computershare?

- First, we are affirming FY24 earnings guidance. Depending on the timing of closing, the transaction is not expected to have a material impact on our FY24 EPS guidance. We continue to expect Management EPS to be around 116cps this year.
- The transaction is expected to be EPS accretive in the first full year following divestment. We have simply compared FY24 guidance of around 116 cps as we gave in August to what that guidance would have been if we had not owned US Mortgage services in FY24 and instead used the cash proceeds to retire debt. This also includes the impact in the change in balances.
- US Mortgage Services has average cash balances of around $2bn. We'll obviously lose these as part of the transaction. So assuming a March 31st completion, average balances for FY24 will be lower by about $500m.
- We have included a pro forma table in the Announcement to show what our FY23 group results would have looked like if we had not owned US Mortgage Services for the whole of last year.
- In summary, Management EPS would have been 5 cents higher than we reported at around 113 cps.
- Unsurprisingly given the capital intensity of the business, without it ROIC would have been 29.8% compared the 22.7% and free cash flow would have been $544.6m. A very different set of financials.

So why is today's sale strategically significant for us?

I'm sure many of you will have a clear view on this.

First, it represents an important milestone in executing Computershare's simplification strategy and drive to increase the quality and consistency of earnings.

Over the past three years or so the US Mortgage business has underperformed against group margin and ROIC targets. We know it is more capital intensive compared to our core business and has high levels of regulatory risk. It's also had periods where it was impacted by a number of things outside our control, "a bit too macro" as I say.

If we recap on our history here, you will see what I mean. We entered the business in the US in late 2011 through the acquisition of Specialised Loan Servicing (SLS). Over the following years, we executed our strategy to build scale in servicing, maintaining a mix of owned MSR's and capital light sub servicing, both performing and non-performing all whilst building up our higher margin ancillary revenues to enhance returns.

We were always very clear and disciplined that we did not want to be a loan originator or take credit risk but it is a large market with plenty of scope for growth and we were making good progress.

We saw the business as being capable of generating 12-14% post tax free cash flow return on capital, and 20% PBT margins. And prior to Covid and the lockdowns, we were pretty much there.

The substantial reductions in global interest rates through 2020 drove record levels of run-off. As US mortgage rates plummeted, we saw a collapse in margin income in the business. At the same time, the US Government put in place and then extended a moratorium on foreclosure which impacted our ability to generate revenues from non-performing loans. With lower servicing revenues and an accelerated amortisation profile, the business went into loss.

Of course, as we all know post the Covid period, rates rose rapidly. Originations slowed and refinancing activity dropped. MSRs became scarce and increased in value and price, our book value rose, and we took costs out to return the business to profitability.

In short, lots of moving parts.

We determined that 2023 was a good timing window to sell the business to an operator with an appetite to deploy capital into the business, allowing it to continue to grow. We are delighted to sell to Rithm who will provide capital, grow the book and enjoy the synergies of being vertically integrated with a large origination engine.

So what are our priorities for capital deployment?

1) We have consistently said that complementary M&A on good financial terms is our top priority in our three core growth businesses of Issuer Services, Corporate Trust and Employee Share Plans. We expect to have around $2.5bn of M&A firepower even post our buyback.
   There are plenty of growth opportunities here.

2) We also prioritise organic growth investment and whilst these are not expensive overall we continue to focus on ways to improve our services and capability and invest in technology to keep us at the forefront of our chosen markets.

3) Our third priority is ensuring we reward our loyal shareholders. Given our franking position we will prioritise buybacks. This transaction caused us to defer the AU$750m Buy Back for compliance reasons and we can start that next week.

4) And finally we will always look to balance buy backs and dividends.

So overall with this transaction we can redeploy the capital to strengthen and enhance the core business and reward shareholders.

It also upgrades our return on capital, EBIT margins and free cash flow. And of course, it improves the quality and consistency of our earnings. All good things.

And finally, on a personal note I am looking forward to focusing on our core business lines, and not waiting for all the stars to align to get the returns we seek in US Mortgage Services.

Purchase of Morgan Stanley's UK & European Employee Share Plans business, Solium UK

Let me now move to our recent acquisition of Morgan Stanley's UK & European Employee Share Plans business. Call it Solium UK.

We expect the deal to complete in Q4 of this calendar year, subject to regulatory notifications and other customary closing conditions.

The earnings contribution is not material to the Computershare group and we are not changing FY24 guidance.

It's a small but important bolt on for us. It has an impressive list of 124 public market clients with over 300,000 participants and around $20bn of assets under administration. Revenues are approximately $US28m per annum and we have bought the business on less than 1.5 times revenue. It's a great fit with our strategy to enhance our core businesses.

The business increases our exposure to the underlying growth in equity-based remuneration.

We have talked about this structural growth trend before. More companies are issuing equity to attract, retain and incentivise employees, and they are issuing equity deeper into their organisations. Equity is not just a C suite benefit any more.

Solium UK adds to our scale in the UK and European markets and post the transition period the intent is to move the clients to EquatePlus, our market-leading platform.

I'll close by saying we are pleased to be able to talk about these two transactions today.

They do mark a good step forward in our plans to simplify the group, improve the quality and consistency of earnings and position us for further growth in our core.

Now let's move to Q&A.