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:	14 February 2024
To:	Australian Securities Exchange
Subject:	**1H24 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 2023 held on 14th February 2024.

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

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

For more information, visit www.computershare.com/corporate

MARKET ANNOUNCEMENT

1H24 Half Year Results – CEO and CFO Conference Call Script

Stuart Irving - Chief Executive Officer and President

Good morning everyone and welcome to another Valentine's Day date with Computershare as we go through our 1H FY24 results conference call.

Nick Oldfield, our CFO, and Michael Brown, from our Investor Relations team, are here with me.

As usual, we have released a presentation pack to the ASX.

On this call I will take you through the highlights, the outlook for the second half of the year, and an update on our strategies.

Nick will then take you through the financials in more detail.

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.

Slide 2 - 1H24 Results

Let's begin on page 2.

Computershare has continued to deliver strong growth, with Management EPS up 23% compared to the prior corresponding period.

Management Revenue was up over 6% to $1.6bn, Management EBIT ex. MI was up 20% and Margin Income increased by almost 25% to a 1H record of $429m.

In the first half we benefitted from growth in core fee revenue, recovery in some of our events and transactional revenues and, with higher yields and stable cash balances, record 1H Margin Income.

The headline results on this page include US Mortgage Services, and in the pcp, a full six month contribution from KCC, our claims administration business. We completed the KCC sale in May 2023 and we are on track to close the sale of US Mortgage Services in March 2024.

Let's turn to page 3.

Slide 3 - Simpler Computershare with higher returns

On this page we show results for the continuing businesses on a proforma basis. Put simply, it shows how we would have performed if we had not owned US Mortgage Services for the first half of FY24 and used the anticipated proceeds to pay down debt.

As you would expect, there would have been a drop in revenues and MI and EPS outcomes would be similar at 54 cents per share.

The stand-out differences are free cash flow and ROIC. The simpler Computershare is capital light and more cash generative.

Assuming mid-cycle rates of 3%, the new simpler, capital light Computershare should be able to deliver 30% EBIT margins and 25% ROIC on average, and of course subject to M&A over the long term. That's an upgrade and signals the higher quality in the business.

Slide 4 - Computershare's integrated business model

I'll move to page 4 and give you an overview of each of the three core revenue streams.

Computershare's integrated business model with a portfolio of recurring fee revenues, cyclical event and transactional revenues, and large client cash balances which generate Margin Income, has delivered robust returns through the cycle.

Recurring fee revenues increased across all businesses, up around 3%. We have purposely oriented Computershare to benefit from structural growth trends such as equity-based remuneration, bond issuance and the rising demand for governance services in an increasingly regulated and complex world. These are long-term tailwinds for us.

Events and transactional revenues were down 4%. Excluding KCC in the pcp, growth was actually over 9%. The drivers here were strong Employee Share Plans trading revenues and higher Corporate Action revenues.

On Margin Income, Computershare's overall client balances including MMF were up on the prior period at over $76bn and, along with enhanced yield, was the driver behind the record 1H Margin Income results up almost 25%.

Slide 5 – 1H24 Overview

Let's now move to page 5 where I will provide some commentary on the core business segments.

Issuer Services revenues were up 14%. We saw higher Corporate Action fees, more Margin Income, and Registry was stable, although the shortfall in IPOs did not replenish shareholder numbers in this period, which we would expect to recover as IPO's recover Management EBIT increased by 25%.

Corporate Actions itself was an interesting story. Unsurprisingly we managed 17% less Corporate Action Events in the period compared to the pcp. Within this, capital raise numbers were consistent, but IPOs and mergers were down. The average size and fees of our deals were larger, especially in the US and this exceeded the volume decline and drove the revenue growth.

Governance Services revenue was similar to last year. While there was growth in underlying client paid fees, up 14% this was offset by the timing on recoverable fees, which will come through in the second half.

Employee Share Plans delivered a record result. Trading revenue recovered well as I mentioned earlier, and fee revenue increased too as new client wins and fee increases kicked in.

Even with higher number of stock exercises in the half, the value of the book grew, up 10% to $230bn. As we often talk about, employers are using equity more often in remuneration schemes, creating the significant latent earnings power in this business.

EquatePlus is continuing to give us a market advantage. We are continuing to invest to strengthen and grow this business. We acquired Solium Capital UK on 1st December and continue to expand our UK and European client base. We also have several new technology developments coming to market including enhanced client reporting and an upgrade to the mobile app to provide more digital services. So good momentum.

In the deck, you will see we have consolidated reporting for US CCT with our Canadian trust business. We provide the breakdowns as usual, and the detail is in the appendix. We saw continued growth in Canada, although in the US CCT's performance was slightly lower due to reduced levels of bond issuance, GNMA Doc Custody movements and temporary higher costs. We planned for these costs to come through as we exited the TSA in October. Through the TSA we had over 300 staff that did not transfer from Wells but as we were exiting the TSA we had to establish, recruit and train replacements. This included establishing an Indian captive which will reduce operational costs in the future.

The CCT integration was one of the largest and most time sensitive projects we have ever undertaken in Computershare. I am pleased to say this highly complex technology and operational transition was finished on time and within budget, with minimal disruption to clients, employees, and key stakeholders. This track record really highlights Computershare's technology expertise and project management skills.

I have also said that we will use the increased earnings from Margin Income to invest in and strengthen the group. We are also investing in enhanced digitised solutions across the Issuer space. We are creating modern platforms to reflect the relationship issuers want with their shareholders and provide digital foundations for us to find new solutions to meet our clients' problems.

Moving now to costs. Our total costs increased by 1%. Excluding KKC, costs were up over 6%. BAU opex grew by 4%. Inflation was mitigated by our cost out programs which saved us $18m. There are a further $57m of integration cost synergies in CCT to come, as well as future benefits of EquatePlus roll-out and other cost programs.

We also had a number of operational expenses and one-off costs. We had $6m in stranded costs from KCC, which we are removing, and as I mentioned temporarily higher costs in CCT. Cost-out, especially with the sale of US CLS, is a major focus for the team.

Finally, cash flow and the balance sheet are highlights of these results. Free cash flow was almost $300m. Debt leverage now stands at around 0.8 times and is trending lower. By June 30th, including the sale proceeds for US Mortgages and the cost of the buyback, and assuming no M&A, it should be around 0.4 times.

This balance sheet strength gives us great optionality. We will continue to invest in and strengthen our core businesses, including our digitisation strategy and product roadmap. We will continue our patient approach to M&A, where the pipeline of attractive deals looks good, and we will reward shareholders with buybacks and dividends.

And today, we've announced an interim dividend of 40 cents per share. That's a rise of 33% versus pcp and a new record-high interim payment for Computershare.

Slide 6 – Margin Income

Now we will move to page 6 and some commentary on balances and hedging.

Overall balances were fairly stable. Including MMF, we manage over $76bn of total client balances.

Whilst the total is up, the mix of these balances is driven by cyclical factors such as movement in interest rates and the level of Corporate Actions and bond issuances. Some of these balances yield more than others depending on duration, client contracts and type of balances they are, and Nick will talk about that a bit later.

The other important point is to provide an update on our Hedging Policy. We have continued to lock in Margin Income since we last spoke at the AGM. We now have about $1.6bn of total Margin Income locked in regardless of moves in interest rates. Over $270m of MI is locked in for FY24 and $260m has been locked in for FY25.

These hedges improve the consistency of our earnings.

As we look forward, let me address the question many of you have in mind; what happens to Computershare's earnings when rates fall?

In isolation, a 50 basis point change in cash rates equates to around five cents of Management EPS on an annualised basis.

But there's more to it than that. When rates fall, we also expect Corporate Actions and bond issuance levels to increase. This should drive up our cash balances. A $1bn increase in balances also generates around 5 cents per share of Management EPS.

So, it is not all downward traffic for you doom and gloomers out there.

Let me move to page 7 and turn to outlook.

Slide 7 - FY24 Outlook

With our decent first half, we have a positive outlook for the rest of the financial year. We are reaffirming guidance. Management EPS is expected to increase by around 7.5% in FY24, to around 116 cps.

That implies around 11% Management EPS growth 2H versus 1H.

We continue to expect EBIT ex MI to be up 10% for the year. In 2H, we assume ongoing growth in recurring fee revenue. That's the "quality industrial" in Computershare you might say, and similar levels of revenues in Corporate Actions and CCT ex. MI.

Admittedly I do see a stronger Corporate Actions pipeline. However, I think a number of deals may slip into FY25 which is a minor earnings sensitivity for us.

We now expect MI to be around $825m for the group. As many of you will remember, our guidance methodology is to apply the interest rate curves as they are when we prepare these numbers, which assumed a US rate cut in May, although that view seems to have changed overnight and of course maintain current levels and mix of balances.

As I said in August, guidance is more sensitive to balances and rates these days and therefore changes are more meaningful. The Treasury hedging policy is designed to soften and smooth this impact.

We still include US Mortgage Services for the full second half of the year in guidance, but we do not include the impact of buyback on the share count. We will adjust all of these on completion.

Nick, over to you for the financials.

Nick Oldfield, Chief Financial Officer

Thank you, Stuart. And good morning everyone!

Slide 8 - 1H24 Management results summary

I'll start with our financial results on slide 8.

Total Revenue for the group increased 6.2% over the pcp, ex Margin Income, revenue was broadly flat. Remember however - these comparisons include KCC in the pcp. Adjusting for this, revenue for the group was up 10.3% and revenue ex. MI up 4.5%. As you've heard, this revenue growth was largely driven by an increase in Event and Transaction fees.

Margin income was up 25% to $429m, largely the result of higher rates.

Total costs were up just over 1.3%. Excluding KCC they're up around 6.5%. These are broken out in a bit more detail on slide 15.

In summary though, BAU opex – ex. KCC - is up around 4%. This is the balance of the benefits from our cost-out programs of $18m, offset by inflation across our personnel and third-party expense lines of $47.5m.

In addition, we saw another $23m of increased costs in the half which were unusual or less BAU in nature.

Around a third of these related to new investments - establishing a new captive back-office operation in India and costs attributable to the Solium Capital UK acquisition. About half of this is one-off and won't recur.

Another third is related to stranded costs arising from the KCC disposal - we expect to reduce these in FY25.

And the final third is increased irrecoverable VAT expense in the UK. Higher Margin Income means lower proportional VAT'able revenue, the result of which is that we're unable to recover quite as much VAT as we have in the past. Going forward these will become BAU in nature until rates come down.

EBIT increased 24% to $546m and the EBIT margin improved 480 bps to 34%, both largely attributable to the higher MI and transactional revenue growth.

Excluding MI, EBIT was up 21%. As well as the transactional revenue growth, EBIT ex. MI benefitted from lower amortisation expense because of the longer MSR useful life now being applied.

On a proforma basis, excluding US Mortgage Services, 1H24 EBIT ex MI would have been higher by around $19m at $135m.

Interest expense was up 60% to $86m. The average cost of debt was almost 7%. We do expect interest expense to be lower in 2H reflecting the maturity of $220m in USPP debt. All our debt is at floating rates so it's a natural hedge to margin income in the event rates fall.

Tax expense was also higher, up by almost 10% at just over $129m, albeit the ETR was 230 bps lower at 28%, reflecting lower levels of Canadian withholding tax payments during the half. We expect the tax expense to be similar in the second half.

Management NPAT was up 23% to $331m. Management EPS was also up 23% to 54.8cps. Adjusting for the buyback it was a touch higher at 54.9 cps. During 1H24 we bought back 5.59m shares at an average price of just over $24 – that's in Australian dollars of course. The actual 1H Wanos was 602,390,548 shares.

Statutory results are on slides 49 and 50. Statutory NPAT was $105m, down 40%. This was largely attributable to the impairment related to the US Mortgage Services disposal of $116m, which we noted in our ASX announcement of October 3. This does not impact the expected sale proceeds of $700m plus.

In addition, amortisation of non-MSR acquired intangible assets of $34m, acquisition related expenses of $60m – largely the cost of the CCT integration and $15m associated with our cost out programs - also impacted the statutory result.

Slide 9 - 1H24 Management EPS

Slide 9 bridges the 23% improvement in EPS from 1H23 to 1H24.

The sale of KCC cost us 0.8 cps in earnings but was more than offset by the improvement in both core fees and event and transactional revenue – 6 cps between them.

MI added almost 12 cents but as I mentioned previously, the costs of running the business, as well as interest and tax expenses were all up – by 4.6 cents and 2.3 cents respectively.

After including 0.1 cents in benefit from the buyback, overall EPS was 54.9 cents for the half.

Slide 10 - 1H24 to 2H24 Management EPS bridge

And on slide 10, we show how we expect 2H earnings to unfold.

EPS is expected to be around 11% higher. We'll see the usual seasonality benefits from proxy and AGM season in the Northern Hemisphere – this is worth 5.3 cents.

And stronger employee plans trading – driven by client vesting events – is the key driver behind the operational revenue growth of 4.3 cents.

MI will be a little lower to reflect the anticipated mix of balances, plus the US rate cut in May whilst costs will be a bit higher. This is largely the result of salary increases being effective 1 October, so we see a full 6 months of that in the 2H.

Interest and tax expense together will be a bit lower. We don't anticipate any Canadian withholding tax in 2H whilst the forecast rate cut and debt repayment will both help.

This leaves us with planned EPS for 2H of just over 60 cps. For the avoidance of doubt, we're not factoring in any impact from the ongoing buyback or the sale of US Mortgage Services. We'll update the market of the net effects on completion but we don't expect them to be material.

Slide 11 - Margin Income and average client balances

I'll now move on to Margin Income on slide 11.

We're now expecting around $825m of Margin Income in FY24.

In the 1H we delivered $429.4m of MI on average client balances of $28.7b – that's a yield of 2.99%. This excludes MMF.

In 2H, we expect slightly higher balances of $29.5b, but a lower yield of 2.68%.

These higher balances are essentially where we exited January, together with what we have current line of sight to.

The lower yield reflects an assumed US May rate cut in line with the latest curves and other currency rate cuts in Q4. In total, these drive around a third of the lower yield. The other two thirds are the result of the expected mix, with the 2H balance growth driven by non-exposed balances.

Looking at this all-in aggregate, we anticipate average balances of $29.1b for the year which are expected to yield 2.84%. Within this -

- Exposed balances currently yield just under 5%
- Hedged balances currently yield just under 3%
- Our non-exposed balances yield just over 100 bps on average.

Overall, obviously yields are driven by the mix between the categories, and we're a little more sensitive to the mix in CCT which is largely driven by market factors.

Within CCT, the mix of balances is really driven by the volume of bond issuance across the various product categories it services. In 1H24, we've seen strong volumes across High Yield and Investment Grade conventional debt, as well as CLOs – but these typically drive lower yielding balances. We do earn more MI on products such as RMBS and CMBS where issuance levels are at cyclical lows, but we expect they will recover in the future as these markets improve.

Outside of client cash balances, MMF balances are up. This is mainly due to an increase in new business that drives balances to them, in particular certain structured debt programs. It is not about balances switching from exposed to MMF. Let me be clear on that. MMF balances earn around 10 basis points.

In the chart on the bottom left of this slide, you can see the movements in our anticipated MI relative to August. We expected $840m back then however the curves are now lower, which reduces MI by $32m.

Balances are also a touch lower – less CCT new business is going into cash v. MMF and US Mortgage Services balances are down due to lower re-financing. The impact of lower balances is $40m in MI.

Offsetting this is an improved mix, predominantly in the 1H. Non-exposed balances are proportionally lower, with more new business going into MMF whilst exposed balances are higher, largely due to improved management of foreign currency balances at CCT. This delivers $35m in incremental MI.

We've also restructured some of the hedge book, extending our duration to enhance yield. This drives $22m extra MI.

Going back to hedging - we've currently got around $9bn of swaps and term deposits in place covering around 52% of our exposed book - 56% if we adjust for the sale of US Mortgage Services. Policy wise, we have capacity to go higher but in practice we will always be conservative – so I do not expect to increase our overall hedge book % materially from here.

There's more detail about balances on slides 52 to 56 however we have inadvertently not disclosed the same level of detail around exposed hedged and non-hedged MI as previously. I am sorry about this - we are looking to rectify this, and we will update the deck on our website shortly.

Slide 16 - Cash flow and leverage

I'll now wrap up my comments with a look at our balance sheet and cash flow on slide 16.

In the period, we generated approximately $370m of net operating cash flow, that's an EBITDA to cash conversion rate of around 60% at actual rates. Free cash flow was $296m.

Net spend on MSRs was $56m. This was higher than intended as we did not complete a recycling trade given the impending disposal. Instead, the MSRs will be sold with the business when it completes.

Net debt is $1.31bn at the half - around $94m higher than at year-end. This reflects the impact of the increased dividend as well as the buyback.

Last week we repaid $220m of maturing USPP debt and we'll continue the buyback post results. The interim dividend is set at the same level as the final so expect another $155m or so outflow there. And just on the dividend, you'll note it's franked at 20%. This is the maximum amount we can frank right now – we expect franking credits will be back at zero in September. With the proceeds from the sale of US Mortgage Services, overall net debt will be lower still at year-end.

I'll now hand back to Stuart.

Stuart Irving, Chief Executive Officer and President

Slide 17 - **Building a simpler Computershare with higher quality earnings**

Thank you Nick.

Let me wrap up with some brief comments on our priorities and strategies.

Operationally, in 2H we are focussed on delivering the planned CCT synergies, our digitisation projects and continued roll out of EquatePlus, along with a range of cost-out initiatives.

To complement our organic growth, we will also continue to patiently evaluate our pipeline of acquisition opportunities and continue with the buyback. We have the balance sheet capacity to self-fund our growth, strengthen our businesses and also reward shareholders.

We will continue to execute our strategies to build a simpler Computershare with higher quality earnings and better returns. It is the execution of these strategies that lays the foundations for future growth.

We have shown you more of that future Computershare today. It took a little leap of faith to see that core strength when we first spoke to you about it in 2022.

The simpler Computershare is capital light, more cash generative and delivers high returns for shareholders.

We should also have more consistent earnings with our increased hedging. That's important in an uncertain rate environment.

Perhaps a simpler way to look at this is on a mid cycle basis. If we assumed say 3% interest rates, MI should still be around $600m per annum with over $250m locked in each year.

So as you can see Computershare is performing strongly, has multiple growth options, and a strong financial base. We are well placed to continue to grow recurring revenues, benefit from cyclical recovery in some of our events and transactional based businesses and capitalise on attractive M&A opportunities.

It's been an extremely busy, productive and rewarding time at Computershare and before we open Q&A, I would like to thank our loyal customers and all my colleagues for their outstanding contributions in what was one of our most intense but rewarding six months that I can remember.

Q&A

I'll wrap up by thanking everyone on the line for joining the call today.

As you can see, we have very clear strategies to simplify, strengthen and grow Computershare. We are executing well. and I'm delighted we can share the higher earnings and better returns with shareholders.

Thank you.