ASX ANNOUNCEMENT

24 FEBRUARY 2022

LINK ADMINISTRATION HOLDINGS LIMITED
ABN 27 120 964 098

1H FY22 RESULTS

Link Group delivers results ahead of expectations, upgrades FY22 guidance

Link Administration Holdings Limited (ASX: LNK) (Link Group) the digitally enabled business connecting people with their assets, has delivered a financial result for the 6 months to 31 December 2021 (1H FY22) ahead of its guidance.

REVENUE		OPERATING EBIT[1]		OPERATING NPATA[1]	
$593.6 million		**$70.2 million**		**$55.9 million**	
1H FY21	$597.0 million	1H FY21	$79.1 million	1H FY21	$61.4 million
CHANGE	(0.6%)	CHANGE	(11%)	CHANGE	(9.0%)

STATUTORY NPAT[2]		NET OPERATING CASH FLOW		COMPLETED	
$(81.7) million		**$125.7 million**		**$101.7 million**	
1H FY21	$29.4 million	1H FY21	$192.3 million	On-market buyback	
CHANGE	–	CHANGE	(35%)		

Executing on our strategy to Simplify, Deliver and Grow

- ✓ Global Transformation Program (GTP) delivered $63 million of gross annual cost savings[3]. On track to achieve targeted gross annualised benefits of $75 million by the end of FY22
- ✓ Entered into exclusive talks with LC Financial Holding (LCFH) in relation to the Banking & Credit Management (BCM) business
- ✓ Services transformation program commenced in Retirement & Superannuation Solutions (RSS) delivering digitisation, automation and experience improvements
- ✓ Strong, continued progress in streamlining processes in Corporate Markets (CM) by leveraging our Mumbai Hub
- ✓ Strong level of client retention across all business units. Healthy levels of uptake of new solutions and increased cross sell to clients

Strong balance sheet supports growth

- ✓ Net Operating Cash Flow conversion of 106%
- ✓ Final dividend of 3.0 cents per share (100% franked); Dividend in line with expectations as disclosed in the Dye & Durham Scheme Implementation Deed (SID)
- ✓ Net debt at $656 million, and leverage ratio (Net Debt/EBITDA) at 2.6x within the guidance range of 2.0x - 3.0x
- ✓ Completed $101.7 million on-market buyback

1. See Appendix 1 of 1H FY22 Investor Presentation for a reconciliation of Non-IFRS measures and definitions for non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards. Operating EBITDA, Operating NPATA, Operating earnings per share and Net Operating Cash Flow exclude Significant Items.
2. Statutory NPAT includes a non-cash impairment charge of $81.6 million related to the BCM business and Group property.
3. Based on gross annualised run-rate benefits.

Commenting on Link Group's 1H FY22 results, CEO & Managing Director Vivek Bhatia said:

"Link Group continues to deliver in a challenging operating environment. 1H FY22 Operating EBIT of $70.2 million was ahead of our guidance and net operating cash flow conversion continues to remain very healthy at 106%. Our RSS and CM businesses have delivered good underlying revenue growth and our global business remains in sound shape.

"We are on track to deliver on our transformation program commitments by financial year end and continue to see benefits from our global hub strategy in the form of increased efficiencies and automation. Our strong balance sheet and cash flow conversion has allowed us to invest further in technology and our people to cement our leadership positions in RSS and CM, and drive revenue and profit growth in FY23 and beyond."

Strong balance sheet and cash flow supporting capital return and investments

Over the last 6 months, Link Group has deployed its de-geared balance sheet in returning capital back to shareholders ($101.7 million on-market buyback) and re-investing in the business for future client and revenue growth. Capital expenditure for 1H FY22 was $31.9 million or 5.4% of Group Revenue which represents an intentional uplift from a year ago and in line with Link Group's guidance range of 4% - 6% of Group revenue. Link Group's balance sheet remains strong with leverage ratio at 2.6x and we expect the leverage ratio to remain in our preferred range of 2.0x – 3.0x.

Consistent with the plans outlined in the Dye & Durham SID, the Board has approved an interim FY22 dividend of 3.0 cents per share, fully franked for shareholders with record and payment dates of 3 March 2022 and 8 April 2022 respectively.

Sound operational and financial performance

Link Group reported Operating NPATA[1] of $55.9 million for 1H FY22, which included a $19.5 million contribution from PEXA. 1H FY22 Statutory Loss[2] was $(81.7) million due to a non-cash impairment charge of $81.6 million related to the BCM business and rationalisation of Group premises footprint.

For 1H FY22 Link Group reported total revenue of $593.6 million, with positive underlying revenue momentum across RSS and CM. Overall revenue was down just 0.6% on 1H FY21, an encouraging result given prior year client exits in RSS, the sale of the Link Market Services business in South Africa and normalisation of activity linked to regulatory changes and COVID-19 in RSS and CM.

The GTP remains on track to deliver the committed gross annualised savings of $75 million by the end of FY22. For the 1H FY22, the GTP delivered gross savings of $14.9 million (including D&A). 1H FY22 also saw a $19.8 million impact on operating costs due to normalisation of staff costs and indexation. For the half, operating costs were up 3% relative to last year and we expect no further impact of staff costs normalisation in 2H FY22.

Sound Operational and financial performance *cont.*

As part of a continuous review process, we have reassessed the useful life of our technology platforms in RSS and CM as well as our office footprint. For 1H FY22 we have incurred an impairment charge of $20.9 million related to our Group premises reflecting the permanent move to a blended working environment. D&A (excluding acquired amortisation) was also down 17% in 1H FY22 relative to last year. For FY22 we expect D&A (excluding acquired amortisation) to be around $100 million. Significant items for 1H FY22 were $37.5 million of which $15.4 million were related to the GTP and the remainder was acquisition/transaction related. We reaffirm the $100 million cost for the GTP and we expect the remaining costs to be reflected in 2H FY22.

Operating EBIT[1] of $70.2 million and net operating cash flow of $125.7 million were generated over 1H FY22. Cash conversion of 106% was in line with management expectations. For FY22, we expect net operating cash flow conversion to be around 100%.

Retirement and Superannuation Solutions (RSS)

Strong underlying member growth in RSS continued with Australian members (excluding eligible rollover funds) up 5.3% YoY. RSS revenue for the 1H FY22 decreased by 2.3% to $252.2 million, representing 42% of Group revenue, largely on account of lower one-off non-recurring revenue (down 9.4%).

Recurring revenue for 1H FY22 was down 1.3% with increased member numbers and service contract wins slightly offset by client exits due to industry merger activity last year. This same merger activity has also given rise to RSS supporting several client mergers with approximately 340K new members expected to be on boarded in 4Q FY22. In the UK, operations continue to track to plan with RSS currently administering more than 900,000 members through the SMART Master Trust and continue to see a strong pipeline of opportunities in that market.

RSS has continued to invest in strengthening front line risk controls and further improve its lead time for delivery. RSS has completed the deployment of a new contact center portal across all client service centers and delivered on several digital solutions enhancing member experience. We expect RSS' FY22 Operating EBIT Margin to be higher than FY21.

Corporate Markets (CM)

CM generated $189.6 million of revenue in 1H FY22, representing 31% of Group revenue. For 1H FY22, CM revenues were up 0.3% with recurring revenue up 1.5% YoY. On a normalised basis (adjusting for the divestment of Link Market Services in South Africa and the normalisation of AGM Activity in Germany), 1H FY22 revenues were up 2.4%.

The underlying revenue trends for CM continue to improve with growth in India and Australia. Despite prior year client losses, revenues were relative flat in the UK while delivering margin improvement on good cost discipline. The Indian business has had a particularly strong 6 months with revenue up over 30%, now accounting for ~7.5% of CM revenue.

Over the last 6 months, CM in Australia has won 7 of the 10 largest IPOs and had a market share of ~59% for new money raised. CM in the UK has won 37% of all IPO listings and CM in India has won over 60% of all IPO listings over the same period. We have also seen increased penetration of services to existing and new clients across UK and Australia.

Sound Operational and financial performance *cont.*

Fund Solutions (FS)

FS generated $93.6 million of revenue in 1H FY22 representing 16% of Group revenue, following a contribution from Casa4Funds (acquisition completed in August 2021) and favourable equity markets which helped to push EMEA AuA to £123 billion at December 2021.

Strong revenues were offset slightly by the known loss of clients due to the ongoing consolidation in the investment management space in Europe. Fund activity has been buoyant with the rebound in markets, including across alternative fund strategies where FS recently was successful in providing administration services to two over-subscribed IPOs in the healthcare and infrastructure space.

After more than 34 years with the business, Chris Addenbrooke, CEO of FS, has made the decision to retire. Karl Midl has been appointed CEO of FS. Karl joined the FS business in 1995 and has significant experience within the FS business, having held several senior roles during his tenure.

Banking and Credit Management (BCM)

BCM generated $67 million of revenue in 1H FY22 representing 11% of Group revenue. BCM remains a leading independent loan and asset management platform in Europe with AUM of €64.1 billion at the end of December 2021.

While we have seen very healthy levels of growth from our non-bank lenders clients, that has been offset by the continued NPL run-off we have been experiencing. The near-term outlook has resulted in a non-cash impairment charge of $60.7 million against the goodwill and software assets of this business unit.

Link Group has entered into exclusive negotiations with LC Financial Holding (LCFH) in respect to its BCM business. If there are material developments in the future, Link Group will keep shareholders informed as required under its continuous disclosure obligations.

PEXA

PEXA continues to perform ahead of expectations buoyed by the favourable property market, contributing $19.5 million to Link Group's Operating NPATA in 1H FY22. Link Group retains a 42.8% equity stake in PEXA.

PEXA recorded a 37% YoY increase in the number of transactions processed. For 1H FY22 PEXA reported revenues of $145 million, which was up 46% on 1H FY21. PEXA has also upgraded its FY22 Prospectus expectations after a very impressive 1H FY22 with revenues for the full year expected to be between $265 million and $275 million and Pro Forma NPATA now expected to be between $70 million and $80 million.

Commenting on the outlook for Link Group, Mr Bhatia said:

"As outlined at our Investor Day back in November 2021, we remain convinced that Link Group is well placed to return to medium-term growth. The past year has been one of consolidation and resetting, and we are pleased that the business is now able to take full advantage of the underlying tailwinds that are present in the segments we operate in.

We are also pleased that our de-geared balance sheet has enabled us to return capital to shareholders and increase our level of investment into the business, with capital expenditure back to our guidance range of 4% - 6% of Group revenue.

Underpinned by the strength of our scale, expertise of our people and proprietary technology platforms we are confident that all the factors are in place for a stronger medium-term outlook.

Our focus for the remainder of FY22 is to continue to implement our Simplify, Deliver and Grow strategy including delivering on our Global Transformation Program commitments. We are equally focused on creating the best environment possible to harness the benefits of the positive market drivers we are seeing, which are expected to underpin increased growth in revenues and earnings in FY23 and beyond."

In December 2021, Link Group signed a Scheme Implementation Deed with Dye & Durham. We remain on track to complete the transaction in June/July 2022. We have submitted all major regulatory approval submissions with the relevant authorities in Australia, the UK, Europe and India. Dye & Durham and Link Group's management teams have commenced working together on the integration planning process. The preparation of the scheme booklet is progressing well, lodgement with ASIC expected in the coming weeks.

Link Group affirms its prior revenue growth guidance of low single digit growth in FY22. As highlighted at the AGM, Link Group's current year to date trading has been strong and ahead of our expectations. We now expect FY22 Operating EBIT to be at least 5% higher than FY21.

Investor & analyst briefing being held at 9:30am ADST today

Vivek Bhatia (CEO & Managing Director) and Andrew MacLachlan (CFO) will host an investor presentation and Q&A session on Link Group's 1H FY22 results at 9:30am (ADST) today.

To participate in the briefing, please register via: https://webcast.openbriefing.com/8386/

A webcast of the briefing will be available via our website at https://www.linkgroup.com

This release has been authorised by the Link Group Board.

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