

20 April 2023

ASX ANNOUNCEMENT

LINK GROUP SALE OF THE FUND SOLUTIONS BUSINESS AND SETTLEMENT WITH THE FCA

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) refers to its announcement on 30 March 2023 providing an update in relation to the progress of the sale of the Fund Solutions business (**FS Business**) and ongoing negotiations with the UK Financial Conduct Authority (**FCA**) to settle the FCA investigation against Link Fund Solutions Limited (**LFSL**).

Link Group confirms that:

- Link Group and LFSL have reached a conditional agreement for the sale of the FS Business, excluding its Luxembourg and Swiss entities, and excluding Woodford related liabilities, on a debt and cash free and normalised working capital adjustments basis, to the Waystone Group for an aggregate consideration value of between £110 million and £140 million (the **Sale**).
- At the same time, Link Group and LFSL have reached a conditional agreement with the FCA to settle its investigation into LFSL in respect of LFSL's role as authorised corporate director (**ACD**) of the LF Woodford Equity Income Fund (now known as the LF Equity Income Fund) (**WEIF**), (the **Settlement**).
- The Settlement is conditional on, amongst other things, completion of the Sale and the English High Court sanctioning a scheme of arrangement proposed under Part 26 of the Companies Act 2006 addressing WEIF related redress and claims against LFSL (**Scheme**), as outlined below.
- The FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors.
- As part of the Settlement and conditional on the Scheme, Link Group has agreed to contribute to LFSL all of the available consideration to be received from the Waystone Group under the Sale, meaning Link Group would receive no net proceeds of the Sale. There is no further contribution required of Link Group¹.
- The Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.
- The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.
- Further information on the Sale, the Settlement and the Scheme is set out below.
- Link Group re-affirms its FY23 guidance provided at the 1H FY23 results with expectations of Operating EBIT to be up 10%-12% on FY22.
- Link Group's liquidity position remains strong and after the completion of the Sale and the Scheme, Link Group's pro forma leverage ratio is expected to be at the top end of the guidance range of 2x – 3x as at June 2024.

Sale of the FS Business

On 20 April 2023, certain subsidiaries of Link Group, including LFSL, entered into sale agreements with entities within the Waystone Group pursuant to which Link Group companies have agreed to sell to the Waystone Group: (i) the business and certain assets of LFSL; (ii) the business and certain assets of Link Fund Manager Solutions (Ireland) Limited (**LFMS(I)L**); and (iii) the entire issued share capital of certain other subsidiaries of Link Group, which together with the business of LFSL and LFMS(I)L

¹ Link Group has agreed to pay £2.5m towards the cost of the Scheme.

comprise the FS Business (other than its Luxembourg and Swiss entities), but excluding Woodford related liabilities and, subject to normalised working capital adjustments, on a debt and cash free basis.

The Sale is conditional on various matters, including receipt of certain regulatory approvals, notices and consents from the FCA and the Central Bank of Ireland, anti-trust approval from the Competition and Consumer Protection Commission of Ireland and no in-depth investigation of the Sale by the UK Competition and Markets Authority. It is possible that Irish foreign investment approval may also be needed depending on whether a foreign investment regime is introduced in Ireland before completion of the Sale and the parties agree a filing is required.

The Sale is also conditional on contracts representing a significant majority of revenue in respect of LFSL's ACD business and LFMS(I)L's business being transferred to the Waystone Group and consent having been received from certain third parties in respect of the transfer of their business to the Waystone Group. The Waystone Group, LFSL and LFMS(I)L have agreed to work to achieve those and other conditions. The Sale is not contingent on the Scheme or the Settlement becoming unconditional.

Link Group and the Waystone Group have agreed consideration for the FS Business (excluding the Luxembourg and Swiss entities) of between £110 million and £140 million, subject to customary cash, debt and normalised working capital adjustments. The payment amount of between £110 million and £140 million will depend on the value of combined revenue in LFSL's ACD business and LFMS(I)L's business transferred by completion.

The Sale is targeted to complete by October 2023.

Link Group is proposing to pursue a separate sale of the Luxembourg and Swiss entities which form part of the FS Business.

Settlement with the FCA

The Link Group and LFSL have reached a conditional agreement with the FCA to settle the FCA's enforcement action against LFSL in respect of its role as ACD of WEIF. The terms of the Settlement provide that LFSL will pay, under the Scheme, a substantial contribution (**FCA Redress Contribution**) to relevant investors in WEIF who are entitled to redress based on the FCA's redress findings as set out in their Warning Notice. The maximum total redress under the FCA's findings depends on other distributions and contributions to WEIF investors (**WEIF Investors**) from time to time but at 12 September 2022 was disclosed by FCA as up to £306 million, and as at the date of this announcement is up to £298 million, (**FCA Redress Total**).

The FCA Redress Contribution from LFSL will be paid under the Scheme. If LFSL has any other WEIF related creditors their claims would also fall under the Scheme. The total to be paid under the Scheme by LFSL will be all of its available resources after ensuring LFSL remains solvent following completion of the Settlement and the Scheme.

The Settlement is conditional on the Sale completing. Subject to that and to the Scheme being approved by LFSL's WEIF related creditors and becoming effective (including approval by the English High Court), the parties expect LFSL's FCA Redress Contribution to be substantial and to satisfy a significant part of the outstanding FCA Redress Total in relation to LFSL. More detail in relation to LFSL's possible resources following completion of the Sale is set out below in relation to the Scheme.

Although the FCA investigation regarding WEIF relates only to LFSL, Link Group has agreed to contribute the available consideration it will receive from the Waystone Group for the sale of the rest of the FS Business (excluding the Luxembourg and Swiss entities) to resolve the FCA's enforcement action and to facilitate the Settlement. This will be an amount of up to approximately £60 million (subject to adjustments), representing all of the consideration payable by the Waystone Group to Link Group for the Sale over and above the amount of up to approximately £80 million to be paid direct to LFSL for the ACD business. In addition, Link Group has agreed also to contribute any available net consideration it receives if it completes a sale of the Luxembourg and Swiss entities which form part

of the FS Business prior to the date on which the distribution under the Scheme takes place.

Without the Settlement and the approval of the Scheme the Link Group contributions referred to in the paragraph above will not be available to WEIF Investors.

The Settlement is subject to a number of conditions, including completion of the Sale and the Scheme becoming effective. LFSL is entering into the Settlement expressly on the basis that there is no admission of liability and LFSL's rights in respect of the Settlement are expressly and entirely reserved unless and until the Scheme becomes fully effective. As noted above, the terms of the Settlement require the continued solvency of LFSL following completion of the Scheme and the Settlement.

The FCA has made findings that a financial penalty would have been imposed on LFSL (at a level which is disputed by LFSL), but has not imposed a financial penalty in this case in order to maximise the amount available to WEIF Investors.

All parties believe that the terms of the Settlement, if it becomes unconditional, will materially enhance the amount of redress available for WEIF Investors, in comparison to the position had no settlement been reached.

In the event that the conditions to the Settlement are not satisfied, it is anticipated that the FCA would commence disciplinary action against LFSL and that LFSL would challenge any disciplinary action by way of reference to the Regulatory Decisions Committee and/or the Upper Tribunal.

Scheme of Arrangement

The Settlement is conditional on, and is to be implemented through, a scheme of arrangement. Pursuant to the proposed Scheme, it is intended that the FCA Redress Contribution from LFSL will be made available to relevant WEIF Investors. The WEIF Investors entitled to be paid under the Scheme will be more specifically described in the Scheme, but are proposed to include all creditors of LFSL with claims directly or indirectly arising out of LFSL's role in relation to WEIF.

The amounts to be paid by LFSL towards the FCA Redress Total (and any other WEIF related creditors), after discharging its other creditors and ensuring its continued solvency, will be out of its then net available resources. Its resources are expected to consist of:

- The net balance of its cash and regulatory capital resources. As at 31st December 2022, its gross cash and regulatory capital resources were £52.2 million;
- Any proceeds LFSL receives in respect of insurance in relation to redress. LFSL holds potentially relevant insurance cover and discussions with its insurers are ongoing;
- The net proceeds due to LFSL for the sale of the ACD business by it to the Waystone Group, expected to be up to approximately £80 million, depending on the level of revenue transferred by completion of the Sale; and
- Up to approximately £60 million (subject to adjustments) of additional contribution from Link Group, representing the whole of the available consideration to be paid to it by the Waystone Group pursuant to the Sale, and making (in aggregate) a contribution of a maximum of between £110 million and £140 million of sale proceeds paid by the Waystone Group to LFSL and to other Link Group companies, notwithstanding the fact that only LFSL is party to the FCA investigation.
- Any sale proceeds received by Link Group in respect of the Luxembourg and Swiss entities which form part of the FS Business prior to the date on which the distribution under the Scheme takes place.

In the event that the Scheme is sanctioned by the English High Court and becomes effective, the Settlement and the Scheme together will provide for the full and final settlement of the FCA's enforcement action against LFSL and it is proposed will provide for the full and final settlement of all WEIF-related exposures of LFSL including any such potential class actions. Specifically, the Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be

in return for a full and final release from WEIF Investors to LFSL and the wider Group.

Subject to the progress of completion of the Sale, the current expectation is that further updates in relation to the Scheme proposal will be provided in June/July 2023, consistent with the current plan to circulate Scheme documentation in October 2023.

As part of the Settlement, FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors. This recognises the significant additional contribution to be provided by Link Group towards redress, which would not otherwise be available.

Mr. Bhatia said, "Today's announcement is significant for Link Group. The sale of LFS significantly completes our simplification strategy including a conditional settlement with the FCA. Together with the sale of our BCM business and the in-specie distribution of Link Group's PEXA shareholding to Link Group shareholders, Link Group emerges as a simpler, more focused company driven by two market leading core businesses which continue to deliver strong operational and financial performance. This outcome creates greater clarity for our shareholders, providing a pathway to final resolution of the Woodford matters and further enabling the organisation to focus on the future growth of our core businesses."

Analyst Briefing

Link Group CEO & Managing Director, Vivek Bhatia, and Chief Financial Officer, Andrew MacLachlan, will host a briefing for analysts and investors at 9.30am today (AEST).

Participants need to pre-register for the call here: <https://s1.c-conf.com/diamondpass/10030253-5pgvxf.html>

FCA Media Release

The FCA will be issuing its own press release in relation to this matter, which will be available on the FCA's website.

The release of this announcement was authorised by the Link Group Board.

For further information:

Investor Relations Contact – Tariq Chotani, Link Group +61 407 498 868
Media Contact – Ben Wilson, GRACosway +61 407 966 083

About Link Group

Link Group connects millions of people with their assets, including equities, pension and superannuation, investments, property and other financial assets. Link Group partners with thousands of financial market participants to deliver services, solutions and technology platform that enhance the user experience and make scaled administration simpler. They help manage regulatory complexity, improve data management and provide the tools to connect people with their assets, leveraging analysis, insight and technology.

For more information, please visit: www.linkgroup.com.

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