

27 October 2020



Link Group 2020

---

# Annual General Meeting

# Important notice

**This presentation has been prepared by Link Administration Holdings Limited (Company) together with its related bodies corporate (Link Group). The material contained in this presentation is intended to be general background information on Link Group and its activities.**

The information is supplied in summary form and is therefore not necessarily complete. It should be read in conjunction with Link Group's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, and in particular, Link Group's Annual Financial Report for 12 months ended 30 June 2020. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

All amounts are in Australian Dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is based on A-IFRS. Link Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or IFRS. These measures are collectively referred to in this presentation as 'non-IFRS financial measures' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business and Link Group believes that they are useful for investors to understand Link Group's financial condition and results of operations. Non-IFRS measures are defined in Appendix 7A. The principal non-IFRS financial measures that are referred to in this presentation are Operating EBITDA, Operating EBIT, Operating EBITDA margin and Operating EBIT margin. Management uses Operating EBITDA to evaluate the operating performance of the business and each operating segment prior to the impact of significant items, the non-cash impact of depreciation and amortisation and interest and tax charges, which are significantly impacted by the historical capital structure and historical tax position of Link Group. Management uses Operating EBITDA to evaluate the cash generation potential of the business because it does not include significant items or the non-cash charges for depreciation and amortisation. However, Link Group believes that it should not be considered in isolation or as an alternative to net operating cash flow. Other non-IFRS financial measures used in the presentation include Recurring Revenue, gross revenue, EBITDA, EBITA, EBIT, Operating NPATA, working capital, capital expenditure, net operating cash flow, net operating cash flow conversion ratio and net debt. Significant items comprise business combination costs, integration costs, IT business transformation and client migration costs. Unless otherwise specified those non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this presentation and include statements regarding Link Group's intent, belief or current expectations with respect to business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

This presentation contains words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. These forward-looking statements reflect Link Group's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond the control of Link Group, and have been made based upon Link Group's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with Link Group's expectations or that the effect of future developments on Link Group will be those anticipated. Actual results could differ materially from those which Link Group expects, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, general economic conditions in Australia; exchange rates; competition in the markets in which Link Group will operate and the inherent regulatory risks in the businesses of Link Group.

When relying on forward-looking statements to make decisions with respect to Link Group, investors and others should carefully consider such factors and other uncertainties and events. Link Group is under no obligation to update any forward-looking statements contained in this presentation, where as a result of new information, future events or otherwise, after the date of this presentation.

## 01 Welcome from the Chair

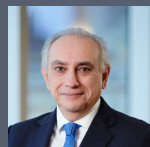


**Michael Carapiet**

# Agenda

- Chair's Address
- Managing Director's Address
- Meeting Formalities
- Consideration of Reports and Questions
- Resolutions

# Board composition



**Michael Carapiet**  
Independent Chair



**John McMurtrie**  
Executive Director and  
Managing Director

*Retiring:*  
1 November 2020



**Vivek Bhatia**  
CEO and Managing  
Director

*Commencing:*  
2 November 2020



**Andrew (Andy) Green**  
Non Executive Director



**Glen Boreham**  
Non Executive Director



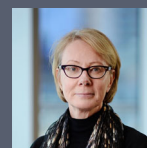
**Fiona Trafford-Walker**  
Non Executive Director



**Peeyush Gupta**  
Non Executive Director

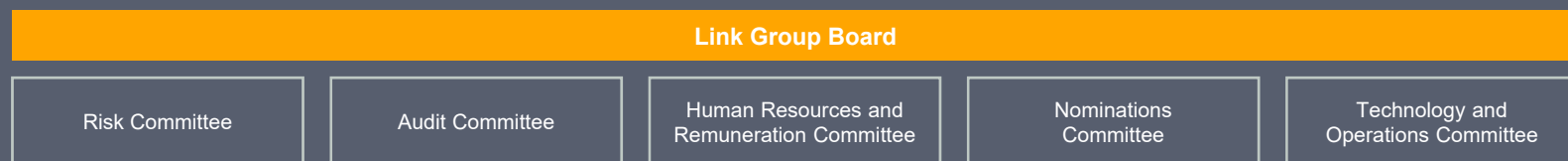


**Anne McDonald**  
Non Executive Director



**Sally Pitkin**  
Non Executive Director

## Committee Structure



# Innovation and technology for shareholders

## Delivering online meetings to support clients

Link Group's online meeting platform enables companies to hold virtual and hybrid meetings.

Shareholders and proxyholders can participate virtually in meetings, lodge votes and ask questions remotely.

**Hybrid:** Physical and online component



**Virtual:** Real-time online meeting

Link Group facilitates hundreds of webcasts and conference calls annually for half and full year results, AGMs, member and investor updates.

With COVID-19 shareholders, directors and auditors can safely participate via video or phone from any location globally.

*Link Group has facilitated over 350 virtual meetings since 1 July 2019*



## Reflecting on FY2020

Although dominated by COVID-19, FY2020 has highlighted the resilience of our business, our technology and our people

- The safety and wellbeing of our people globally remain our key priority
- Initiated early and proactive measures to manage our financial position
- Investment in PEXA expected to deliver significant value for shareholders as it expands and seeks new business opportunities
- Announced an agreement to acquire Pepper European Servicing (PES) from Pepper Group, subject to regulatory approval
- Entered the fast-growing UK pension administration market through a strategic global partnership and investment in Smart Pension
- Global transformation program is on track, with the successful establishment of our operations hub in Mumbai

*The creation of long-term, sustainable shareholder value remains of paramount importance for Link Group*

## 02 Proposal update

### Update on non-binding, conditional, indicative proposal

- Revised Proposal received on 26 October 2020, offering two alternatives:
  - Cash price \$5.40 per share
  - Scrip alternative includes \$3.80 per share cash and the ability to take an indirect interest in PEXA
- Consortium has advised that they have the support of over 14.6% of shareholders
- Link Group Board are considering the Revised Proposal
- Shareholders do not need to take any action in related to the Revised Proposal

## 03 Managing Director's Address



**John McMurtrie**

# Successfully delivering under extraordinary circumstances

Link Group's scale, expertise and quick response during COVID-19 allowed us to keep our people safe, support government regulatory response and continue to service our clients



## OPERATIONAL

- Managed more than 2 million early release super payments, representing approx. \$17 billion, for members. Approximately 97% of transactions processed in the 5-day recommended timeframe<sup>1</sup>
- Assisted 147 clients to raise capital in the June 2020 quarter (\$17.8 billion of equity)



## TECHNOLOGY

- Early release of super system and process developed and implemented in less than 4 weeks
- Enabled ~90% of staff globally to work remotely (including contact centre)
- Facilitated over 350 physically distanced and online meetings and AGMs for clients, since June 2019.
- PEXA facilitated uninterrupted property transaction settlement

**Continued delivery during unprecedented circumstances is reflected in positive client feedback and a resilient financial performance**

1. As at 15 October 2020

## Key financial metrics

FY2020 was a challenging year. Lower financial metrics reflect the impact of regulatory change and historical RSS client losses as well as subdued trading conditions in capital markets

		<i>pcp:</i>	<i>Proforma<sup>3</sup> pcp</i>
Revenue	<b>\$1,230 million</b>	\$1,403 million	<b>\$1,270 million (down 3%)</b>
Recurring Revenue <sup>1</sup>	<b>\$1,020 million</b>	\$1,123 million	<b>\$1,032 million (down 1%)</b>
Operating EBITDA <sup>2</sup>	<b>\$294 million</b>	\$395 million	<b>\$354 million (down 17%)</b>
Operating NPATA <sup>2</sup>	<b>\$144 million</b>	\$198 million	<b>\$172 million (down 16%)</b>
Net Operating Cash Flow	<b>\$319 million</b>	\$383 million	<i>not quantifiable</i>
Statutory NPAT	<b>(\$114) million</b>	\$318 million	<b>\$303 million</b>
Operating earnings per share <sup>2</sup>	<b>27.1 cents</b>	37.2 cents	<b>32.4 cents million (down 16%)</b>
Total dividend	<b>10.0 cents per share</b>	20.5 cents per share	
PEXA Revenue (100%)	<b>\$156 million</b>	\$109 million	
PEXA Operating NPATA (100%)	<b>\$53 million</b>	\$5 million	






1. See Appendix 7A of FY 2020 Results Presentation for definitions for non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards.
2. Operating EBITDA, Operating EBIT, Operating NPATA and Operating earnings per share exclude significant items.  
See Appendix 7A of FY 2020 Results Presentation for a reconciliation of Operating EBITDA, Operating EBIT and Operating NPATA to statutory NPAT.
3. Proforma excludes the divested CPCS business.

# Scorecard: shareholder value initiatives

Link Group is executing on a series of initiatives to drive shareholder value

## STRATEGIC INITIATIVE

## PROGRESS

 <p><b>Support and retain existing customers</b> Identify and win new business</p>	<ul style="list-style-type: none"> <li>Continuous client support through COVID-19. Important contracts renewed in FY20 (REST, HESTA, Prudential)</li> <li>Modest new business</li> </ul>	
 <p><b>Progress Global Transformation</b></p>	<ul style="list-style-type: none"> <li>\$14.7 million efficiency benefits obtained in FY2020, with full realisation of benefits of \$50 million on track for FY2022</li> <li>Mumbai operations hub now successfully providing operations processing for several divisions, as well as technology support.</li> </ul>	
 <p><b>Build presence in UK pension administration market</b></p>	<ul style="list-style-type: none"> <li>Established pension administration business in the UK in 2020. Link Group currently administering over 700k members in the UK</li> </ul>	
 <p><b>Expand core businesses through acquisition</b></p>	<ul style="list-style-type: none"> <li>PES transaction on track for completion in early CY 2021<sup>1</sup>, building on our European debt servicing business</li> </ul>	
 <p><b>Maximise value of portfolio investments</b></p>	<ul style="list-style-type: none"> <li>PEXA recapitalisation expected to complete in 1H 2021</li> <li>Sale of LMS (South Africa) expected in 1H 2021<sup>1</sup></li> </ul>	

1. Subject to regulatory approval and certain commercial conditions precedent

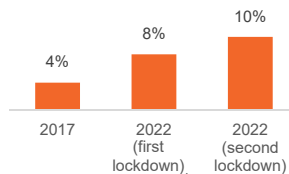
# Link Group has attractive market opportunities to drive medium term growth

Link Group has established credentials as a leading administration operator, enabling us to grow in new and existing markets

## BCM (Europe)

- European NPL volume expected to expand significantly
- Link Group / PES<sup>1</sup> among the largest independent NPL loan servicers in Europe with ~€115B AuA

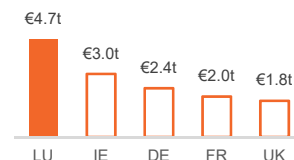
NPL ratio forecast (Europe)



## LFS (Luxembourg)

- Luxembourg is largest Manco/ACD market in Europe
- Link Group is a leading provider in UK & Ireland with ~£100b AuM
- Established greenfield operation in Luxembourg in 2019

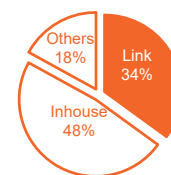
European Manco Market (Net Assets)



## RSS (Australia)

- Australia is the 4<sup>th</sup> largest pension market in the world (\$2.9 trillion AUM & >20m accounts)
- Link Group is the leading administrator
- Member growth, retail wealth management changes & fund consolidation to drive organic growth

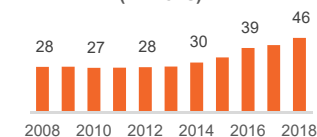
Total members administered (% of total market)



## RSS (UK)

- UK is the 2<sup>nd</sup> largest pension market in the world (~US\$3.5 trillion AUM & >50m accounts)
- Regulatory framework supporting broad based pension programs (i.e. auto-enrolment)
- Link Group currently administers ~700k members in the UK totalling £1 billion

Total Membership in Occupational Pension Schemes (millions)



1. Acquisition subject to regulatory approval and certain commercial conditions precedent

2. Chart source: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments/bulletins/occupationalpensionschemesurvey/2018>

# Summary & trading update

Delivering uninterrupted service to our clients. Focused cash flow management and prudent cost control

## Trading update

- Resilience remains a feature with 1Q FY21 revenue of \$297 million and Operating NPATA of \$22.6 million.
- PEXA achieved revenue of \$47.0 million in 1Q FY21, with net contribution from PEXA to Link Group's Operating NPATA in 1Q FY21 being \$7.4 million
- Global transformation activity is progressing well, with a number of initiatives for FY2021 already in place. Full realisation of benefits on track for FY22 as planned.
- Early release of super is expected to conclude by end of CY 2020. To date the program has resulted in c.92,000 account closures
- Debt leverage ratio of 2.8x. Proforma debt leverage ratio of 2.8x<sup>1</sup>



John McMurtrie will retire as Managing Director of Link Group on 2 November 2020 and will be succeeded by Vivek Bhatia

## Transaction update

- PEXA: External debt process in progress. Targeting at least \$300 million debt (Link Group return of at least \$133 million), in 1H 2021.
- BCM: PES regulatory approval process in progress. Completion expected in early CY2021, subject to certain commercial conditions precedent and regulatory approvals.
- CM: regulatory approval received for the divestment of Link Market Services - South Africa. Completion is scheduled for early November 2020

## Priorities



Service delivery



Global Transformation



Balance sheet and capital management



Execute on shareholder value initiatives

1. Proforma leverage calculation performed as at 30 September 2020 on the basis of PEXA capital return and PES acquisition occurring on that date, noting that these transactions are expected to occur in 2Q FY21 and 3Q FY21 respectively.

## 04 A new chapter



**Thank you, John McMurtrie**  
**Welcome, Vivek Bhatia**

# Thank you, John McMurtrie and welcome, Vivek Bhatia

John's vision has seen Link Group evolve from a small Australian share registry into a respected, market-leading global provider of technology-enabled administration solutions

