



Link Administration Holdings Limited
ABN 27 120 964 098

16 November 2018

ASX ANNOUNCEMENT

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2018 Annual General Meeting – Chairman and Managing Director Addresses

Link Administration Holdings Limited (ASX: LNK) will hold its Annual General Meeting (**AGM**) at 11:30am (AEDT) today. Attached is a copy of the addresses to be given by the Chairman and Managing Director at the AGM.

ENDS

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**LINK GROUP 2018 ANNUAL GENERAL MEETING
FRIDAY, 16 NOVEMBER 2018**

CHAIRMAN'S ADDRESS

Introduction

Good morning everyone. Welcome to the 2018 Link Group Annual General Meeting.

I'd like to begin by acknowledging the traditional owners of the land on which we meet today – the Gadigal people of the Eora nation. We pay our respects to their Elders – past, present and emerging.

Today I am joined by my fellow Directors. From your right to left:

- Link Group's Managing Director, John McMurtrie, and
- our Independent Non-Executive Directors:
 - Andy Green
 - Glen Boreham,
 - Fiona Trafford-Walker
 - Peeyush Gupta,
 - Anne McDonald, and
 - Sally Pitkin.

In line with our expanded European footprint, a special welcome to our UK based director, Andy Green who joined the Board as an additional Independent Non-Executive Director in March this year. Andy brings to Link Group extensive international governance experience, notably in digital development and technology.

Andy will be seeking election today, while Glen Boreham and Fiona Trafford-Walker will be seeking re-election.

Also here today we have Link Group senior management as well as Link Group's auditor, KPMG, represented by Partners Andrew Yates, Brendan Twining and Kim Lawry. On behalf of the Board, I would like to acknowledge Kim Lawry in particular, who is rotating off the Link Group audit after serving the term set out in the Corporations Act. We thank Kim for her excellent work with Link Group and welcome Brendan Twining into the role.

Key Financial Highlights for FY2018

Link Group has enjoyed another strong earnings result in FY2018, with the Company continuing to build momentum with a positive 8 month contribution from LAS. Under the leadership of John McMurtrie and his executive team, Link Group has delivered:

- Revenues of \$1.198 million, up 54% on the prior year
- Operating EBITDA of \$335 million, up 53% on the prior year
- Operating NPATA of \$207 million, 67% higher on the prior year
- Statutory Net Profit After Tax of \$143 million, 68% up on the prior year.

On the back of these strong financial results, the Board was pleased to declare a final dividend of 13.5 cents per share for the year, representing for the full year, a total dividend of 20.5 cents per share returned to shareholders through both the interim and final dividends. The final dividend was paid on 10 October, 2018.

The total dividend paid of \$106 million represented a dividend payout ratio of 60% of NPATA, which sits at the top end of our Dividend Policy of between 40% to 60% of NPATA.

We also continued our successful DRP program for shareholders, with 38% and 28% of issued capital participating in the program for the interim dividend and final dividend, respectively.

FY2018 – A Transformational Year

FY2018 was a transformational year for Link Group. We successfully executed a number of key transactions and have delivered a step change for Link Group and retained a position of strength for the business to pursue further opportunities.

On 26 June 2017, Link Group announced it had entered into a binding agreement to acquire UK-based Capita Asset Services for £909 million from Capita plc, listed on the London Stock Exchange. This acquisition was completed on 3 November 2017, following regulatory approval.

The acquisition of LAS expands Link Group into market leading positions in Europe.

Funding for the acquisition was secured by extending the Group's multi-currency debt facilities and by undertaking a fully underwritten, pro-rata, accelerated renounceable entitlement offer.

A further fully underwritten institutional placement and SPP was undertaken in April this year, raising a further \$301 million.

More recently, Link Group was part of a consortium comprising Commonwealth Bank of Australia and Morgan Stanley Infrastructure, formed to bid for PEXA. The consortium will purchase 100% of the equity in PEXA based on an enterprise value of approximately \$1.6 billion. Link Group's shareholding will increase to a maximum of 44.2% with our share of the purchase price being a maximum of \$403 million. The transaction is expected to complete early in 2019.

Founded in 2010 to fulfil the Council of Australian Governments initiative to deliver a single national electronic system and lodgement of property transactions, PEXA has successfully built a network of over 150 financial institutions and more than 6,500 practitioner firms. Link Group first invested in PEXA in 2013 and we have a high level of respect for what CEO, Marcus Price and his team have been able to achieve. The business is in an exciting phase of its evolution and we look forward to maintaining our support of PEXA in the future.

Since listing on the ASX in October 2015, the Link Group team has overseen a significant increase in the earnings of the business. Whilst 2018 has been a transformational year for the business it has also added additional layers of complexity through an expanded geographical footprint and the increased investment into the adjacent property settlement market.

I highlight this to draw attention to just how important our people are to the ongoing success of our business.

In this regard, the Board recognises the importance of the remuneration framework which has been designed to provide a sustainable remuneration platform to retain and attract good people as well as reward positive shareholder outcomes. We noted this year that some market observers took issue with one aspect of the total remuneration framework, in particular, the Board's decision to retain the EPS hurdles in the LTI.

I wish to assure our shareholders that the Board considered this aspect of the Remuneration Report at length, and whilst respecting the alternate view, the Board took into consideration the broader benchmarking of our management's total remuneration, the engagement of management as well as the embedded alignment of management incentives with shareholders.

On balance, the Board remains satisfied that the total remuneration profile is appropriate to promote the business in the future and was disappointed that this one aspect of the Remuneration Report, seemingly considered in isolation, was sufficient to recommend a vote against the entire remuneration report.

Touching on another limb of corporate governance, during the year, Link Group commissioned an independent review of its practices following release of APRA's Report of the Prudential Inquiry into the Commonwealth Bank of Australia.

While Link Group is a business that is very different to those within the banking sector, it is important for all listed companies to assess against publically enunciated lessons learnt. I am pleased to report that there were no surprises coming out of our review; several opportunities were identified and have been embraced by the team under the banner of continuous improvement.

As highlighted today in our announcement to the ASX, Andrew MacLachlan will be stepping into the role of CFO from 1 January 2019. Andrew has worked with Link Group since 2009 and as John's deputy since 2013.

I would like to acknowledge and thank John Hawkins for the outstanding contribution he has made to the success of this organisation. Alongside John McMurtrie, John has spent the last 17 years with Link Group and has overseen tremendous growth in the business. He has been an instrumental part of our success and leaves a very strong successor in Andrew MacLachlan.

John Hawkins will continue with Link Group as Group Executive, Investments and Acquisitions until his retirement. We are hopeful that, as he pursues a career as a Non-Executive Director, he will continue his association with Link Group's investments such as PEXA.

Our business continues to deliver on its strategic growth initiatives. With our strong balance sheet and expanded global opportunities, Link Group is well positioned to continue to build on these achievements. On behalf of the Board, I would like to thank our shareholders for their participation in the equity raising activities. We greatly appreciate your support.

Link Group Purpose Statement

As Link Group continues to grow, it is critical that our people around the world are engaged in creating success and value for our clients and shareholders. We recognise that our people are integral to both our achievements and our overall success as an organisation.

In the Engagement Survey undertaken in November 2017, our people shared with us that they wanted to contribute more to the wider Link Group. Given our significant expansion over the past five years, it is essential that all our employees across all business areas have a clear understanding of our purpose.

Earlier this year, we embarked on a journey to create the Link Group Purpose Statement, which connects employees and clients globally and supports further growth of innovative products and services.

Link Group's Purpose Statement – "Together we achieve..." encapsulates the collaborative way we work together with each other, our clients, our shareholders and third parties, to help everyone achieve success.

Following the acquisition of LAS, Link Group employs over 7,000 employees and operates across 18 jurisdictions worldwide.

Link Group continues to invest significantly across our business lines to deepen client relationships and support client growth through tailored service offerings. We remain focused on the delivery of service excellence, innovation and the retention of the high level of trust placed in our business.

I would like to take this opportunity to thank my fellow Link Group Board members and the broader Link Group team for their efforts and contribution during the year.

The Board comprises an experienced group of senior leaders, with a broad range of skills who draw their business knowledge from a range of industries and backgrounds.

Link Group's many achievements this year would not have been possible without the hard work and commitment of every member of the Link Group team.

Your Company is in good shape, with a strong foundation and well placed to pursue those growth opportunities that will add value for our shareholders over the long term.

I will now hand over to our Managing Director, John McMurtrie, to discuss Link Group's operational highlights and growth strategy in more detail.

Thank you.

MANAGING DIRECTOR'S ADDRESS

Thank you Chair. Good morning everyone.

I am delighted to present to you this operational update in our third year as a public company. As Michael said, it has been a transformational year for Link Group and we are very proud of the Company's performance over the last financial year.

Strong Operating Performance

FY2018 is the year that Link Group became a truly global company. Over the past decade we have expanded in selected international locations and in November 2017, with the acquisition of Link Asset Services, we took revenue earned outside of Australia towards 50% of total Link Group revenues.

With the 8 month contribution from LAS, Operating EBITDA for FY2018 increased by 53% on the prior year to \$335 million. Excluding LAS, Operating EBITDA increased by 10% on the prior year, with a positive contribution from each of the Fund Administration, Corporate Markets and Technology & Innovation divisions.

We have strong market positions in all of the markets in which we operate and continue to invest back into those markets. Our integration programs are delivering real value and with capital expenditure at the top end of our 3-5% guidance range, we continue to build our platform to accommodate further sustainable growth.

Link Asset Services Acquisition

LAS joined the Link Group on 3 November 2017 following our announcement in June 2017 and subsequent approval from the regulators.

The acquisition of LAS is strongly aligned with our growth strategy. It offers a natural expansion of our operations in markets into which we first entered more than a decade ago as well as new markets with attractive growth prospects.

We have been very pleased with the performance of this business. The LAS team has continued to enjoy success by winning new business since joining Link Group and I have been very impressed with their professionalism and commitment.

Since becoming a part of Link Group, LAS has continued to grow its operations across Europe and the UK.

In FY2018, LAS:

- acquired the debt-servicing business Novalink, strengthening its position in the Netherlands
- opened a debt servicing business in Milan in Italy to support expansion into Italy, and
- won large mandates with UK local governments as part of an initiative to pool the local government pension assets into a small number of investment vehicles.

In July this year, we also made an investment in Leveris, a European based supplier of 'next generation' core banking platform software.

Operationally, we established a Transformation Office in London to oversee the integration and separation activities currently in train. As I reported in August, good progress has already been made across a number of work streams including Finance, HR, payroll, risk & compliance, premises consolidation and vendor consolidation. And I am pleased to report these work streams remain well on track. We should expect these efforts to continue driving earnings benefits in the 2019 financial year and beyond.

At the time of the LAS announcement, we foreshadowed at least £15 million of efficiencies over the medium term – having now owned the business now for almost 12 months, we remain very comfortable with this guidance.

Growth Strategy

Our strategy continues to focus on five drivers of growth:

- We seek growth alongside our clients in attractive markets
- We create product and service innovations and use our expertise in technology to strengthen our competitive advantage
- We pursue expansion through alliances and acquisitions in our existing markets
- We are realising the synergies and efficiencies from the integration of acquired businesses
- We pursue opportunities in attractive markets adjacent to those in which we now operate.

Whilst the acquisition of LAS has been a key achievement, we have remained focused and committed to our core businesses.

As well as our expansion into the UK and Europe, Link Group has expanded further into India and Hong Kong. We have been present in both jurisdictions for around 10 years and in this time have built market leading positions.

In India, we are the largest share registry, looking after more listed entities in that market than any other registry. We added to this leading position in 2018 by signing an agreement to merge our business with another share registry business, TSR Darashaw. TSR Darashaw has a strong client list of Indian companies, including members of the Tata group. Market conditions in India have been positive with IPOs still attracting a lot of investor interest. We have a strong management team based in Mumbai and capacity for further growth in that region.

In Hong Kong we are the leading investor relations service provider, with over 350 client relationships across Hong Kong, China, Singapore, Philippines and a number of other South East Asian countries. In August this year, we opened a share registry business to complement our strong investor relations service offering in the region. We have had great success offering these core services in other jurisdictions, particularly in Australia and the UK, and we see the evolution of this strategy in Asia providing strong growth prospects for the Link Group.

On the last pillar of our growth strategy, adjacent market opportunities, let me pause for a moment to recap on PEXA.

Link Group first invested in PEXA in 2013 and following that initial investment, increased our shareholding to 19.7% in June 2017. Over the last 6 months the owners of the business had been exploring a dual track process – a potential trade sale and an IPO.

Link Group is part of a consortium with Commonwealth Bank and Morgan Stanley Infrastructure. An offer made by the Consortium for the PEXA business was accepted on 10 November 2018 by shareholders greater than 75%. Having received acceptances greater than 75%, the consortium was able to exercise its rights under the shareholders agreement to move to 100% ownership. As a result, Link Group's equity interest in PEXA will increase to 44%. Link Group's share of the purchase consideration will be funded from existing cash and debt resources.

We expect completion early in 2019. At that time our pro forma leverage will be at the top end of our guidance range.

As a global company with a strong balance sheet, high-value IT systems, a highly experienced management team and a continued focus on technology, we remain focused on delivering high quality outcomes for all stakeholders and remain well positioned to continue to deliver on our growth plan.

Performance Update

At our full year results, we reported good earnings momentum and we are well placed into the medium term to capitalise on the good pipeline of opportunities across the sectors we operate in. Our Fund Administration business is facing both challenges and opportunities.

In the May 2018 Budget, the federal government proposed legislation which, among other things, required Funds to sweep inactive member accounts into the ATO. An Inactive member account was broadly defined as any account with a balance less than \$6,000 and for which no contribution has been received for 13 months. At the time, we estimated that the unmitigated full year revenue impact would be negative \$55 million. We strongly believed this amount represented a worst case scenario, as this estimate did not take into account Fund and member actions following the announcement nor the contractual volume protections that Link Group has in the majority of its contracts with clients.

We are now 6 months past that announcement, and the legislation is awaiting progress through the Senate.

The timing envisaged involves a mail out of all impacted members in April 2019 with those not opting in transferred to the ATO in October 2019. This timing is very tight.

As at the end of October 2018, we can confirm that on a like for like basis, the number of accounts expected to be captured under the proposed legislation has decreased and the unmitigated full year revenue impact has now decreased by approximately 5% from the estimates originally provided in May 2018.

Discussions are occurring with our clients to equitably share the impact of the member losses.

The heightened level of regulatory activity from the Royal Commission and proposed changes from the May Budget has also reduced the Funds discretionary spend, impacting project related activity for this division in the 1H 2019. Although we are seeing activity late in first half which creates optimism for the second half.

A more positive note is the strength in the member growth of our client base. We reported strong member growth at our full year results and we are pleased to see that this trend has carried forward into the 2019 fiscal year.

The Rest contract remains in advanced stages of negotiation and I can confirm that discussions remain positive. I am also pleased to confirm that Link has retained a number of other important clients in recent months which is pleasing for the team and reinforces our conviction around the value we add for our clients.

Our integration programs, both in Australia and the UK remain on track. On the domestic front, we anticipate the remaining benefits to accrue in the 2H 2019.

In Europe, we anticipate the back office functions of LAS being fully separated from Capita plc. by Easter next year and we anticipate starting to see the benefits of our integration activities taking shape also in the 2H of this financial year.

LAS financial performance remains on track. However, we do note that the Brexit uncertainty has led to some delays in on-boarding recent client wins and continues to impact market related income. With a key Brexit date of 29 March 2019, we remain susceptible to adverse market and political movements.

It is a testament to the strength of the business and its management that the business has continued to perform notwithstanding the inevitable distraction of the recent sale process and integration activities for management and staff. All of our businesses continue to work with their clients to prepare for whatever outcome Brexit delivers.

Both Corporate Markets and T&I have traded well in the first 4 months of the FY2019 year. Our search for a head of Fund Administration is well advanced and we hope to update the market on this in the coming months.

Our people, our investment and our fiscal strength has created a good base for the Company and we look forward to capitalising on these in the years ahead.

Before I hand back to the Chair, I would also like to take the opportunity to thank John Hawkins for his efforts over the years. When we both joined this business back in 2001, the business had around \$40 million of revenue and negative EBITDA. Today the business is an ASX100 constituent with around \$1.4 billion of revenue and \$335m million of EBITDA reported in FY2018.

However, he cannot escape so easily. As part of a planned transition, John will continue as Group Executive, Investments and Acquisitions and will remain a senior member of the Link Group Executive Committee. He will continue to assist Link Asset Services' integration into Link Group and as Link Group's nominated director on the board of Property Exchange Australia Limited (PEXA), will play a key role in overseeing the PEXA business under ownership by Link Group and its consortium partners.

Thank you.