

1H FY23 RESULTS

Link Group's 1H FY23 Operating EBIT up 14%

Link Administration Holdings Limited (ASX: LNK) (Link Group) today announced its financial results for the 6 months to 31 December 2022 (1H FY23). Group financial highlights include:

REVENUE

\$592.2 million

1H FY23 \$593.6 million
 CHANGE (0.2%)

OPERATING EBITDA¹

\$128.3 million

1H FY23 \$119.0 million
 CHANGE +7.8%

OPERATING EBIT¹

\$80.2 million

1H FY23 \$70.2 million
 CHANGE +14.1%

OPERATING NPATA EX-PEXA¹

\$38.2 million

1H FY23 \$36.4 million
 CHANGE +4.9%

STATUTORY NPAT²

\$(410.1) million

1H FY23 \$(81.7) million
 CHANGE nmf

DIVIDEND PER SHARE

4.5 cents

1H FY23 3.0 cents
 CHANGE +50.0%

Highlights

- ✓ Link Group now connects over 110 million people with their assets globally and administers over 11 million superannuation and pension accounts across Australia, New Zealand and UK, up 14% on 1H FY22.
- ✓ PEXA in-specie distribution implemented on 10 January 2023, delivering an implied \$0.27 per share in value creation for shareholders³. The current market value of the in-specie distribution to Link Group shareholders is approximately \$844 million (as at 23 February 2023).
- ✓ Over the last half, Retirement & Superannuation Solutions (RSS) has renewed and extended several contracts including REST (in principle agreement for 5 year extension), AMIST (renewed for 4 years), AustralianSuper (extended for 2 years), HESTA (extended for 1 year), Prime Super (extended for 2 years) and RBF (extended for 5 years).
- ✓ Signed a 10 year agreement with HSBC for the provision of digital pension administration and value-added services to HSBC's Occupational Retirement Scheme Ordinance (ORSO) clients in Hong Kong. This provides an immediate footprint and entry into the Asian market for RSS.

1. See Appendix 1 of 1H FY23 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. 1H FY23 statutory loss includes \$448.9 million non-cash impairment related to the FS assets, \$15.4 million non-cash impairment related to BCM goodwill and fair value gain on sale of \$47.9 million on the PEXA sell-down.

3. Reflects the difference between (a) the Link Group share price on 29 December 2022 (the day immediately prior to the ex-date for the distribution) of \$3.29 and (b) the sum of the Link Group share price on 30 December 2022 (the ex-date for the distribution) of \$1.98 and the distributed PEXA share value attributable per Link Group share of \$1.59 (being the PEXA share price on 30 December 2022 of \$11.95 divided by the distribution exchange ratio of 7.52).

- ✓ The Link Group Board has declared 1H FY23 dividend of 4.5 cents 80% franked, up 50% from a year ago.
- ✓ As announced on 20 February 2023, Link Group is in exclusive negotiations with the Waystone Group in respect of the sale of the whole of its FS business, excluding Woodford related liabilities. In addition, Link Group and LFSL are in

advanced confidential discussions with the FCA to settle the FCA investigation against LFSL. In the current circumstances, Link Group believes it is appropriate to fully impair 100% of the Fund Solutions cash generating unit's intangibles and certain other non-current assets. Link Group has recognised a non-cash impairment charge of \$449 million in 1H FY23 related to FS assets.

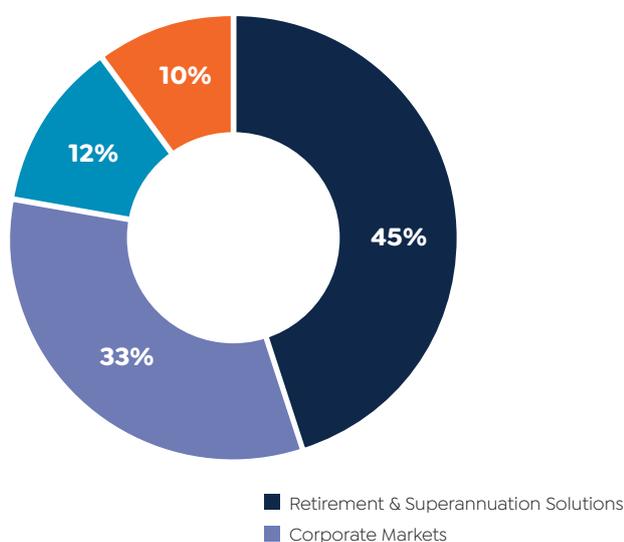
FY23 Guidance updated and re-affirmed⁴

- ✓ **Updated:** Group Revenue expected to be towards the lower-end of our previous guidance range of \$1.19-\$1.22 billion
- ✓ **Re-affirmed:** Operating EBITDA to be 8-10% higher than FY22
- ✓ **Re-affirmed:** Operating EBIT to be 10-12% higher than FY22.

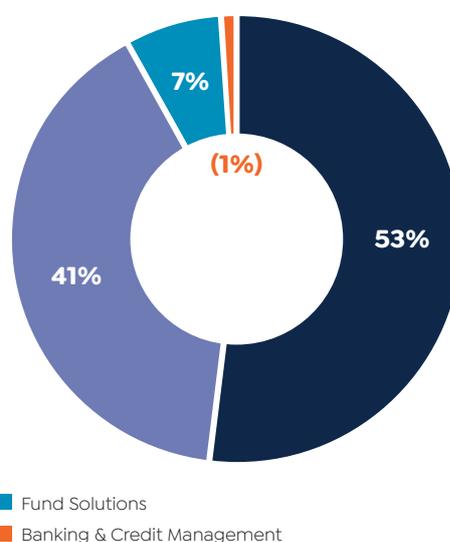
Financial Summary

A\$ MILLION	1H FY23	1H FY22	YoY CHANGE	YoY CHANGE (CC ⁵)
Revenue	592.2	593.6	(0.2%)	1.9%
Operating cost	(463.9)	(474.6)	2.3%	0.1%
Operating EBITDA	128.3	119.0	7.8%	9.3%
Depreciation and amortisation	(48.1)	(48.8)	1.3%	1.2%
Operating EBIT	80.2	70.2	14.1%	14.8%
Operating EBIT Margin	13.5%	11.8%	170bps	150bps
NPATA	78.5	25.6	206.4%	210.5%
Operating NPATA	48.0	55.9	(14.1%)	(11.7%)
Operating NPATA ex-PEXA	38.2	36.4	4.9%	8.7%
Statutory NPAT	(410.1)	(81.7)		

Revenue Contribution⁶



Operating EBITDA Contribution⁶



4. Refer to Link Group's 1H FY23 Results Presentation for FY23 outlook.

5. SCC reflects constant currency, removing the impact of FX rate movement from the year-on-year change.

6. Divisional revenue contribution percentage based on Gross Revenue prior to eliminations. Divisional EBITDA contribution percentage excludes Group costs.

Commenting on Link Group's 1H FY23 results, CEO & Managing Director

Vivek Bhatia said:

"We are pleased to have once again delivered on our guidance. 1H FY23 Operating EBIT of \$80.2 million is up 14% on 1H FY22 and at the top end of our guidance range of \$75-\$80 million. Group revenue of \$592.2 million for the 1H FY23 was up 1.9% in constant currency terms compared to 1H FY22, but slightly down once adjusted for currency movement.

Our people and businesses have remained focused on delivering for our clients and on our strategic goals. Our new operating model is in place, and I am pleased with the consistency of our results so far.

Like all businesses across the world, inflation represents a challenge, however benefits from our now completed transformation program and our India Hub strategy have helped offset some of these pressures, with operating expenses down 2.3% during 1H FY23.

Our core businesses continue to deliver revenue growth and margin improvement. RSS saw 1H FY23 EBIT margins improve by over 200 bps on 1H FY22. Corporate Markets' (CM) 1H FY23 revenue was up 2.5% on constant currency terms.

I am also pleased to announce that the Link Group Board has declared an interim dividend of 4.5 cents per share which will be 80% franked."

Strong balance sheet and supportive cash flow profile

Capital expenditure for 1H FY23 was \$33.9 million or 5.7% of Group Revenue. Since FY20, Link Group has spent over \$250.0 million in capital expenditure as we continue to invest in our digital capabilities, innovative technology and market leading platforms. Accordingly, Link Group continues to expect FY23 capital expenditure to be at the upper end of the 4%-6% of revenue range.

As of 31 December 2022, net debt was \$617 million. Leverage ratio (Net Debt/EBITDA) at 2.3x is within the guidance range of 2.0x-3.0x. On a pro-forma basis, adjusting for the PEXA in-specie distribution, leverage ratio was at 2.5x. Link Group expects FY23 leverage ratio to be within the guidance range.

As announced, a 4.5 cents per share 80% franked dividend will be paid on 11 April 2023. Future levels of franking will be dependent on the level of available franking credits.

Sound operational and financial performance

Link Group reported **Operating NPATA excluding PEXA¹ of \$38.2 million for 1H FY23 was up 4.9% on 1H FY22**. Strong 1H FY23 Operating EBIT growth was offset by higher interest costs on corporate debt and a higher effective tax rate compared to 1H FY22.

Link Group has delivered 1H FY23 Statutory Loss of \$410.1 million. The 1H FY23 statutory loss includes \$448.9 million non-cash impairment related to the FS assets and \$15.4 million non-cash impairment related to BCM goodwill. Link Group expects to recognise a one-off gain of approximately **\$322 million** in the 2H FY23 related to the PEXA in-specie distribution that was implemented on 10 January 2023.

Link Group's **1H FY23 total revenue of \$592.2 million was down 0.2% on 1H FY23 but was up 1.9% on constant currency terms**. The increase in total revenue was driven by higher member numbers in RSS, higher number of shareholders from CM in India and higher margin income from CM in the UK and Australia, partially offset by lower revenue in FS and BCM. 1H FY23 Group Revenue excluding FS and BCM was up 4.8% on 1H FY22 in constant currency terms.

Link Group reported **Operating EBIT of \$80.2 million for 1H FY23, up 14.1% on 1H FY22**. Operating EBIT margin of 13.5% for 1H FY23 was 170bps higher than 1H FY22.

For 1H FY23 depreciation and amortisation (D&A) was \$48.1 million, which was down 1.3% on 1H FY22. FY23 D&A is now expected to be in the \$100–\$105 million range.

Operating cash flow of \$150.4 million was generated over 1H FY23. The cash conversion ratio of 117% in 1H FY23 benefited from a timing difference on fund manager invoices in FS (expected to unwind in 2H FY23). Link Group expects cash conversion ratio to be in the 90%–100% range in FY 2023.

Retirement and Superannuation Solutions (RSS)

Strong member growth in RSS continued with Australian and New Zealand member numbers up 10% year on year (YoY). RSS revenue for 1H FY23 increased by 6.2% to \$267.9 million, representing 45% of Group Revenue. 1H FY23 RSS Operating EBITDA was up 18.5% to \$76.9 million while 1H FY23 Operating EBIT was up 19.7% to \$55.3 million.

RSS recurring revenue for 1H FY23 was underpinned by higher member numbers and indexation, offset by the impact of unclaimed superannuation money (USM) program and previously announced client exits on account of industry consolidation.

The UK strategy continues to progress to plan with RSS now administering approximately 1.5 million member accounts, up 61% over the last 12 months. Adjusting for the HS Pension acquisition, RSS in the UK saw member numbers up 18%.

On 7 February 2023, Link Group signed an agreement with HSBC in Hong Kong for the provision of digital pension administration and value-added services to HSBC's Occupational Retirement Scheme Ordinance (ORSO) clients for a period of 10 years.

On 16 December 2022, Link Group announced that its agreement with AustralianSuper had been extended by an additional two years till 30 June 2025. In addition, on 22 February 2023, Link Group and Rest have agreed in principle to extend their long-standing 30-year partnership by a further five years, subject to finalisation of agreed terms and conditions, making it one of the most enduring relationships within the superannuation industry.

RSS has also successfully delivered on contract renewals and extensions for HESTA, AMIST, Prime Super and RBF.

Corporate Markets (CM)

CM generated \$200.2 million of revenue in 1H FY23, representing 33% of Group revenue. 1H FY23 revenue was flat YoY but was up 2.5% on 1H FY22 in constant currency terms. 1H FY23 CM Operating EBITDA was up 35.8% to \$59.9 million while 1H FY23 Operating EBIT was up 71.5% to \$43.6 million.

CM improved its market share of FTSE 350 share registry services to 33% and maintained its market leading position in AIM share registry with a 38% market share. CM improved its market share of ASX 300 share registry services to 38% and CM in India has a 28% market share of Nifty 50 Index (NSE India).

Fund Solutions in Australia is now fully integrated within CM, enabling CM to offer full registry services and innovative solutions to its investment manager clients across both listed and unlisted products.

CM in India continues on its growth trajectory with 1H FY23 revenues up 35% on 1H FY22, accounting for 10% of divisional revenue ex-margin income in 1H FY23. Registry and Employee Share Plans (ESP) saw low single digit recurring revenue growth.

Print and Mail revenue was significantly impacted as volumes normalised to pre-Covid levels, lower capital market activity and to a lesser extent clients transitioning to digital services. Capital markets related revenue in the UK and Australia and share dealing activity in the UK has also been subdued over the last 6 months, on the back of increased market volatility and higher central bank interest rate setting.

FY23 Margin Income for CM is expected to be in the \$35.0–\$38 million (FY22: \$9.0 million). Average FY23 float balances are expected to be ~\$1.2 billion with approximately 70% of this balance held in the UK.

Fund Solutions (FS)

FS generated \$73.4 million of revenue in 1H FY23 representing 12% of Group revenue. 1H FY23 revenue was down 11.5% on 1H FY22 (down 5.9% on constant currency) on the back of lower average assets under management/administration (average AuM/AuA) and prior year client exits on account of industry consolidation. Average AuM/AuA in EMEA for 1H FY23 was down 9.8% on 1H FY22 to £111 billion.

As announced on 20 February 2023, Link Group believe it is appropriate to fully impair 100% of the Fund Solutions cash generating unit's intangibles and certain other non-current assets. Link Group has recognised a non-cash impairment charge of \$448.9 million in 1H FY23 related to FS assets.

Banking and Credit Management (BCM)

BCM is Europe's leading independent loan and asset management platform with assets under management (AUM) of €56.2 billion at the end of December 2022. BCM generated \$59.1 million of revenue in 1H FY23 representing 10% of Group revenue. 1H FY23 revenue was down 11.8% on 1H FY22 (down 7.4% on constant currency) with reduced revenue from non-performing loans (NPL) and reduced revenue from origination clients in Ireland, Italy and the Netherlands as high interest rates started to impact sentiment and demand in the December quarter.

Economic factors have had a direct and immediate impact on the business. However, despite the operating environment, BCM has delivered a good result, with Operating EBITDA flat YoY.

The near-term outlook has resulted in a non cash impairment charge of \$15.4 million against the goodwill of this business unit.

PEXA

PEXA contributed \$9.9 million to Link Group's Operating NPATA in 1H FY23 as compared to \$19.5 million in 1H FY22.

On 21 November 2022, Link Group sold down 10% of its PEXA shareholding for proceeds of \$102.4million. The PEXA in-specie distribution was implemented on 10 January 2023. The current market value of the in-specie distribution to Link Group shareholders is approximately \$844 million (as at 23 February 2023).

Link Group is proud to have been part of the success of PEXA. With the in-specie distribution implemented, Link Group shareholders were provided with a direct investment in PEXA, the ASX-listed operator of Australia's leading digital property settlements platform.

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

“We are well positioned to deliver Operating EBITDA growth over the medium term, underpinned by our scale, expertise of our people and proprietary technology platforms.

Our core businesses are in good shape with RSS and CM both delivering on revenue growth and margin improvement for 1H FY23. The new operating model has empowered our businesses to take greater control of their cost base and we expect the businesses to continue optimising their models over the next 12-18 months.

Our strategy to simplify, deliver and grow has been our focus over the last 18 months. We have simplified our operating model with our businesses having more autonomy and are coming to the tail-end of our simplification strategy.

We have demonstrated that we continue to deliver to our guidance, with our business and financial performance increasingly consistent as we successfully deliver for our clients. Our focus is now on strategic growth to reinforce and further expand our core businesses.

As we announced on Monday, in addition to the exclusive negotiation with the Waystone Group, Link Group and LFSL are in advanced confidential discussions with the FCA to settle the FCA investigation against LFSL. The likely outcome of the sale to Waystone and of settlement with the FCA, if both are concluded, is that Link Group would receive no net proceeds of the sale of its FS business. If a settlement is agreed with the FCA, it would resolve the current FCA investigation and would also be contingent on a scheme of arrangement of LFSL to resolve all Woodford related contingent liabilities and redress obligations of LFSL.

A sale of the FS Business to Waystone would not be contingent on the scheme of arrangement or any FCA settlement becoming unconditional. No legally binding agreement has been reached with either Waystone or the FCA and at present there can be no certainty that any of such agreements will ultimately be concluded.

We are confident that our core businesses have the diversity and resilience required to navigate the current broader operating conditions, as evidenced by their strong performance over FY22 and now in 1H FY23. We continue to expect FY23 Operating EBIT to be up 10%-12% on FY22 consistent with our prior guidance.

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

Vivek Bhatia (CEO & Managing Director) and Andrew MacLachlan (CFO) will host an investor presentation and Q&A session on Link Group's 1H FY23 results at 9:30am (AEDT) today.

To participate in the briefing, please register [HERE](#).

A live webcast of the presentation will be available [HERE](#).

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

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