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# Link Group delivers first half results for 2017 highlighting strong earnings momentum

- Revenue of $395.8 million, up 1% on the prior corresponding period ('pcp');
- Statutory net profit after tax of $41.6 million, up significantly on the pcp of a statutory net loss of $4.0 million; and
- Recurring Revenue[ii] of $357.3 million, up 2% on the pcp.
- Operating EBITDA[ii] of $108.5 million, up 20% on the pcp[i];
- Operating EBITDA[ii] margin of 27%, improving from 23% in the pcp[i];
- Operating NPATA[ii] of $58.3 million, up 19% on the pcp[i];
- Net operating cash flow of $96.3 million, up 17% on the pcp[i]; and
- Interim unfranked dividend of 6.0 cents per share declared.

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i. FY2016 and prior year information has been presented on a pro forma basis. The pro forma presentation is consistent with the disclosure in the Link Group Prospectus dated 30 September 2016. See Appendix 5A of the Half Year Results Presentation for a full reconciliation of statutory net profit. No pro forma adjustments have been made to statutory revenue.
ii. See Slide 35 of the Half Year Results Presentation for definitions for non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards.

Link Administration Holdings Limited ('Link Group'), a leading administrator of financial ownership data, today reported its financial results for the six months ended 31 December 2016, which demonstrates strong earnings momentum.

For the six months to 31 December 2016, Link Group reported revenues of $395.8 million and a statutory net profit after tax of $41.6 million, after taking into account significant items which include costs relating to business combinations, integration and client migrations.

Operating EBITDA was $108.5 million, up 20% on the pcp. Operating NPATA was $58.3 million, up 19% on the pcp, with both EBITDA and NPATA benefiting significantly from the strong margin expansion underpinned by the successful execution of the Superpartners integration to date.

The Link Board has declared an interim dividend of 6.0 cents per share. The dividend will be unfranked and will be paid on 3 April 2017. Link Group shares will trade ex-dividend on 21 March 2017.

Link Group Managing Director John McMurtrie said: "This is a good result that demonstrates growth in revenue and continued significant year on year increases in Operating EBITDA and Operating EBITDA margins.

“This result highlights the continuing benefits materialising from the integration program and demonstrates that we are delivering on our stated objective of progressively returning Link Group margins back to 34%. During the first half of FY2017, the Group has successfully completed the migration of the former Superpartners clients and is now well positioned to achieve the full benefits from the integration alongside pursuing further business opportunities.

“We continue to invest across all of our lines of business and see great opportunity through our organic growth channels. This includes additional penetration into existing markets and the development of innovative product and services as well as those bolt-on and adjacent market opportunities that both complement and add value to our existing business,” Mr McMurtrie said.

**Fund Administration**

The Superpartners integration program achieved significant milestones during 1H 2017 culminating in the migration of AustralianSuper and the completion of six million member transfers to Link Group’s proprietary platform over the last 18 months.

Revenue for 1H 2017 of $290.4 million was up compared with the pcp of $285.4 million, as a result of the increased contribution from project related income coinciding with the completion of migration activity.

Operating EBITDA was $63.9 million (pcp $42.3 million), exceeding the pcp by 51%, driven by higher revenues and the benefits flowing from integration synergies. This strong earnings result improved the Operating EBITDA margin to 22%, well ahead of the margin in the pcp of 15%.

All of our Fund Administration clients are now benefiting from the Group’s investment in innovation and technology.

**Corporate Markets**

Revenue in the Corporate Markets segment decreased to $95.5 million (pcp $99.0 million). Operating EBITDA was $22.4 million (pcp $27.5 million), down by $5.1 million (or 19%).

Whilst total revenues were down, Recurring Revenue in Corporate Markets increased by 9% to $84.1 million (pcp $77.3 million). Growth in core contracted revenues in the Corporate Markets division was offset by a drop in non Recurring Revenue, principally capital markets related activity. Non Recurring Revenue decreased by 48% following an exceptionally strong half in the pcp. Non Recurring Revenues contributed $11.4 million in the six months to 31 December 2016 ($21.7 million in pcp). Capital markets related revenue achieved in this half is more consistent with historical levels.

Increased Recurring Revenue was attributed to new business won in Australian and New Zealand as well as a number of overseas jurisdictions – most notably India with a net increase of 112 new clients during the last 12 months.

The Operating EBITDA margin was 23%, decreasing from 28% in the pcp. As highlighted above, lower capital markets related revenue was the primary reason for the lower Operating EBITDA, with operating costs of $73.1 million remaining broadly consistent with the prior corresponding period. Management has taken action to reduce ongoing costs in the period to December 2016, which will have a $1 million annualised benefit to date.

**<u>Information, Digital and Data Services ('IDDS')</u>**

IDDS revenue was $105.0 million (pcp $108.0 million). Operating EBITDA was $24.7 million (pcp $23.8 million), up by $1.0 million (or 4%).

The underlying IDDS business continues to perform well with good revenue growth from the core products. Revenue growth is being enhanced by the steady rollout of market leading digital products such as membership cards and mobile apps for members and employers as part of a strategy to facilitate and enhance member engagement.

External revenue continued to improve and the Operating EBITDA margin expanded to 24% (pcp 22%). As highlighted in the FY2016 announcement, a decrease in the internal demand for IT services was the primary reason for the reduction in total IDDS revenue. Following the completion of the Superpartners migration the business will continue to reduce costs by retiring legacy IT platforms.

**<u>Outlook</u>**

Commenting on the 2017 financial year, John McMurtrie said: "We are pleased with the progress of the core activities of the Group and our disciplined approach to executing our five key strategic growth initiatives. Accordingly, we are carrying good momentum into the full financial year. Management's priorities for the remainder of the year will be on delivering the next phase of Group margin improvement.

"Link Group has a robust balance sheet and a business model which delivers strong operating cash flows. This allows us to both reward shareholders and to invest in our existing businesses. We are also well positioned to pursue attractive opportunities that enhance shareholder value and returns."

**END**

**<u>Analyst briefing:</u>**

An investor presentation and Q+A session to discuss the company's financial results for the six months ended 31 December 2016 will be held at 11:30am (AEST) today.

A webcast of the presentation and presentation audio will be available at http://linkgroup.com

**Enquiries**:


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