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**ASX ANNOUNCEMENT**

ASX Market Announcements Office  
ASX Limited  
20 Bridge Street  
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**Link Group continues to execute on its growth strategy  
highlighting earnings diversification in 1H 2019**

- Statutory net profit after tax (NPAT) of \$186.8 million, up 187% on the prior corresponding period<sup>i</sup> (pcp)
- Operating EBITDA<sup>ii</sup> of \$185.4 million, up 25% on the pcp<sup>i</sup>
- Operating NPATA<sup>ii</sup> of \$107.8 million, up 17% on the pcp<sup>i</sup>
- Revenue of \$714.4 million, up 42% on the pcp<sup>i</sup>
- 49% of revenue derived outside of Australia & New Zealand
- Recurring Revenue<sup>ii</sup> of \$570.5 million, representing 80% of total revenue<sup>i</sup>
- Net operating cash flow of \$138.0 million, down 6% on the pcp<sup>i</sup>
- Interim dividend of 8.0 cents per share declared (100% franked), up 14% on the pcp

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- i. See Appendix 5A of the Half Year Results Presentation for a half reconciliation of statutory net profit. No pro forma adjustments have been made to statutory revenue.
  - ii. See Appendix 5A 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 (ASX: LNK) (**Link Group**), a leading administrator of financial ownership data, today reported its financial results for the six months ended 31 December 2018.

The continued execution of Link Group's growth strategy and earnings diversification is highlighted by Link Group's reported revenue of \$714.4 million and statutory NPAT of \$186.8 million. Statutory NPAT includes significant items such as costs relating to business combinations, integration, client migrations and the revaluation of the investment held in PEXA.

Link Group Chair, Michael Carapiet, said: "Link Group's growth strategy and earnings diversification is reflected in the sound half year financial and operating results.

"Our ongoing international expansion continues to diversify Link Group's operations and revenue streams and we remain strongly committed to delivering exceptional client solutions through the investment in technology and our staff."

Operating EBITDA was \$185.4 million, up 25% on the pcp while Operating NPATA was \$107.8 million, up 17% on the pcp. Both Operating EBITDA and Operating NPATA benefited from a full half year inclusion of Link Asset Services (LAS) as well as the continued progress made with efficiencies in the UK and Europe and with the realisation of integration benefits in Australia.

Link Group's Board has declared an interim dividend of 8.0 cents per share for shareholders on record on 25 February 2019. The dividend will be 100% franked and will be paid on 9 April 2019. The DRP will continue to operate with a 1.5% discount for participating eligible shareholders.

Link Group Managing Director, John McMurtrie, said: "We are pleased with the growth of the business and how the execution of our strategic plan and global expansion has positively impacted the broader business.

"LAS has proven to be a strong strategic fit for Link Group and reinforces our global vision for people and technology driven solutions. We have further refined this strategic fit, having recently announced in January 2019, the sale of the majority of LAS' Corporate & Private Client Solutions business (CPCS).

"The completion of the PEXA acquisition by a consortium in which Link Group holds a 44.2% equity interest consolidates our exposure to another attractive opportunity for growth.

"This has been a continuation of a transformational period for Link Group. I would like to thank all of our people for their continuing commitment to ensuring that we maintain the high level of service for our client partners. Link Group is dedicated to having diverse and inclusive teams that drive innovation, productivity and provide high quality outcomes for our clients.

"In further recognising the efforts of our people, we remain confident that the progress made on our integration programs in the first half of the year will deliver on our integration goals in the second half."

### **Fund Administration**

Fund Administration revenue of \$275.9 million was 3% below the pcp following a reduction in both Recurring and Non-recurring Revenue.

Recurring Revenue was impacted by previously disclosed client losses, although we have seen strong annual member growth from our five largest clients (by member numbers) of approximately 4.8%, with overall annual member growth of 3.6%<sup>1</sup>. As a competitive provider of outsourced administration to the industry, Link Group believes that its platform allows clients to operate at the lowest end of the cost curve while benefiting from Link Group's ability to disperse the cost of regulatory change.

Operating EBITDA was \$56.2 million, 6% below the pcp.

Regulatory change, regulatory complexity and public debate in the superannuation sector will continue to provide both challenges and opportunities. Link Group is committed to maintaining a strong partnership with clients to support their objectives in this continually changing environment.

### **Corporate Markets**

Corporate Markets revenue of \$116.5 million was 13% up on the pcp. Operating EBITDA was \$25.5 million, up by 3% on the pcp.

Recurring Revenue increased by \$7 million to \$94 million. Growth in Recurring Revenue in Corporate Markets was attributed to new business won both domestically and internationally, including the demerged businesses of Old Mutual in South Africa.

The result was also supported by an increase in Non-recurring Revenue, principally driven by an increase in investor relations and capital markets activity in the UK and South Africa. Non-recurring Revenue was \$22 million which is at the top of Corporate Markets' historical trend.

The Operating EBITDA margin was 22%, decreasing from 24% in the pcp, reflecting the competitive pricing environment across a number of jurisdictions, with volume growth offsetting the pricing pressure.

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<sup>1</sup> Based on total billable members excluding lost clients, eligible rollover funds and redundancy trusts.

## **Technology & Innovation (T&I)**

T&I revenue of \$130.2 million was 12% up on the pcp. Operating EBITDA was \$34.8 million, a 3% increase on the pcp.

The T&I business continues to grow as a result of increased volume of print and digital communications in Link Digicom and was supported by an expanding portfolio of digital solutions products and services. External revenue as a percentage of total T&I revenue grew to 36% (compared to 34% in the pcp).

The Operating EBITDA margin was 27%, decreasing from 29% in the pcp, reflecting the revenue mix and the additional effort required to support client migrations during the period.

## **LAS**

The LAS transaction completed on 3 November 2017. As a result, 1H 2019 includes 6 months of LAS operations as opposed to 2 months in the pcp.

LAS revenue for the 1H 2019 was \$309.3 million. Operating EBITDA was \$74.0 million. For the calendar year ended 31 December 2018, LAS revenue grew by 5%, a good result in light of the uncertain markets. Operating costs also grew reflecting the additional resources required to support the revenue growth as well as the impact of additional costs post the separation from Capita.

Transitional activities are progressing well and management confirm that notwithstanding the sale of CPCS, Link Group will retain its original guidance of achieving at least £15 million of efficiency benefits over the medium term.

## **Property Exchange of Australia (PEXA)**

Link Group, with consortium partners Commonwealth Bank of Australia and Morgan Stanley Infrastructure, acquired the e-conveyancing platform PEXA in January 2019. As part of the transaction Link Group increased its equity in PEXA to 44.2 % and fair values this investment at \$715 million.

The increased stake in PEXA provides Link Group a new dimension for growth as the volumes increase and the industry embraces the benefits of PEXA's technology.

PEXA has exceeded the original guidance in its exchange transactions, revenue and average exchange revenue per transaction during 1H 2019, while also investing over \$25 million in research and development during the period.

PEXA's established management team has been retained by the consortium and the business remains focused on supporting participants in the market and promoting the benefits of its technology.

## **Outlook**

Commenting on the outlook for 2019 and beyond, Mr McMurtrie said: "Link Group has demonstrated the benefits of its strategic focus, building a resilient business with a well-diversified revenue and earnings base. We are encouraged by the progress of our expanding global operation.

"Link Group is well represented in a number of European jurisdictions, including over 700 people in Dublin. Brexit will continue to provide challenges and opportunities. The business remains focused supporting our clients in this changing environment and is well positioned to perform under a range of Brexit scenarios.

"PEXA provides us with a strong operational presence in the adjacent property industry and the sale of the majority of CPCS will further concentrate our strategic focus on our existing businesses and core competencies.

"The underlying fundamentals of our business are in good shape. Link Group has a strong balance sheet and we are well positioned for further growth."

**Analyst briefing:**

An investor presentation and Q&A session to discuss the Link Group's interim financial results for the six months ended 31 December 2018 will be held at 10:30am (AEDT) today.

A webcast of the presentation and presentation audio will be available at [www.linkgroup.com](http://www.linkgroup.com)

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