

FY 2022 RESULTS

Link Group delivers on upgraded FY 2022 guidance

Link Administration Holdings Limited (ASX: LNK) (Link Group) the digitally enabled business connecting people with their assets, is pleased to announce its result for the 12 months to 30 June 2022 (FY 2022).

REVENUE

\$1.18 billion

FY 2021 \$1.16 billion
 CHANGE +1.3%

OPERATING EBIT¹

\$153.9 million

FY 2021 \$141.4 million
 CHANGE +8.8%

OPERATING NPATA¹

\$121.3 million

FY 2021 \$113.2 million
 CHANGE +7.1%

STATUTORY NPAT²

\$(67.6) million

FY 2021 \$(162.7) million
 CHANGE nmf

NET OPERATING CASH FLOW

\$205.0 million

FY 2021 \$292.9 million
 CHANGE (30.0%)

GTP DELIVERED

\$77.9 million

TARGET \$75.0 million

Highlights

- ✓ Link Group connects over 100 million people with their assets globally. Link Group administers over 10 million superannuation and pension accounts across Australia, New Zealand and UK, up 10% on FY 2021
- ✓ On 22 August 2022 Link Group shareholders voted in favour of the proposed acquisition of Link Group by Dye & Durham Corporation by way of scheme of arrangement (Scheme) and the proposed BCM Capital Return in connection with the Scheme. The scheme remains subject to certain Conditions Precedent (including matters not occurring) as detailed in Link Group's release to the ASX on 22 August 2022, including the receipt of outstanding regulatory approvals and the approval of the Supreme Court of New South Wales
- ✓ The Global Transformation Program (GTP) has delivered \$77.9 million of gross annualised cost savings compared to the targeted \$75.0 million³. With the GTP complete, the focus is now on driving continued efficiency initiatives within the business units
- ✓ Link Group has further evolved its global operating model, following the dissolution of the Technology & Operations division in May 2021. Link Group's four businesses will now operate with full end-to-end accountability for their performance and operations
- ✓ The India Hub continues to grow with approximately 1,100 team members supporting all four global businesses, driving increased efficiency and greater access to talent.

1. See Appendix 1 of FY 2022 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. Statutory NPAT includes a non-cash impairment charge of \$83.1 million related to the BCM business and surplus premises space.

3. Based on gross annualised run-rate benefits.

Strong balance sheet supporting increased investment

- ✓ Capital expenditure for FY 2022 was \$69.2 million or 5.9% of Group revenue. Over the last three years, total capital expenditure spend has been \$217.6 million or 6.1% of Group revenue
- ✓ Net debt at \$687.9 million, and leverage ratio (Net Debt/EBITDA) at 2.6x in the middle of the guidance range of 2.0x-3.0x.

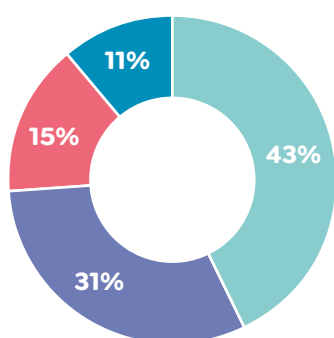
FY 2023 Outlook and Guidance

- ✓ Group revenue expected to increase by a low single digit percentage
- ✓ Operating EBITDA to be 8-10% higher than FY 2022
- ✓ Operating EBIT to be 10-12% higher than FY 2022.

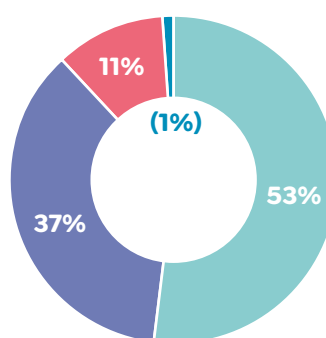
Financial Summary

A\$ MILLION	FY 2022	FY2021	YOY CHANGE
Revenue	1,175.1	1,160.3	1%
Operating cost	(922.8)	(903.7)	(2%)
Operating EBITDA	252.3	256.6	(2%)
Depreciation and amortisation	(98.4)	(115.1)	15%
Operating EBIT	153.9	141.4	9%
Operating EBIT Margin	13%	12%	
NPATA	66.2	74.1	(11%)
Operating NPATA ⁴	121.3	113.2	7%
Statutory NPAT	(67.6)	(162.7)	(58%)

Revenue Contribution⁵



Operating EBITDA Contribution⁵



- Retirement & Superannuation Solutions
- Corporate Markets
- Fund Solutions
- Banking & Credit Management

4. Link Group FY 2021 earnings have been restated as a result of revised tax accounting within PEXA resulting in a \$9.4 million reduction to FY 2021 Operating NPATA. Refer to reconciliation in Appendix 1.

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

Commenting on the Company's FY 2022 results, CEO & Managing Director Vivek Bhatia said:

"Link Group has delivered on its upgraded FY 2022 guidance announced on 11 July 2022.

The last two years have seen a high level of corporate activity for Link Group in addition to the global pandemic and market volatility associated with higher inflation and higher interest rates. Despite these challenging and potentially distracting factors, it has been pleasing to see the resilience of our people and performance of our core businesses which are reflected in today's results.

Link Group delivered revenue growth of 1.3% in FY 2022 and Operating EBIT was up 8.8% on FY 2021. FY 2022 Operating NPATA was \$121.3 million, up 7.1% on FY 2021. Link Group ended FY 2022 with net debt of \$687.9 million and a leverage ratio of 2.6x. Leverage ratio in FY 2023 is expected to remain in the preferred range of 2.0x-3.0x."

Strong balance sheet and supportive cash flow profile

Link Group continues to actively manage its balance sheet. Over the last 12 months, Link Group has deployed its de-gearred balance sheet in returning capital to shareholders (\$101.7 million on market buyback), paying \$44.9 million in dividends and re-investing in the business for client and revenue growth.

Capital expenditure for FY 2022 was \$69.2 million or 5.9% of Group revenue which represents a significant increase from a year ago and is in line with normal pre-COVID levels of 4%-6% of Group revenue. Link Group expects capital expenditure to be at the upper end of the 4%-6% of revenue range for FY 2023.

Sound operational and financial performance

Link Group reported **Operating NPATA¹ of \$121.3 million for FY 2022 which was up 7.1% on FY 2021.**

FY 2022 Operating NPATA included a \$33.1 million contribution from PEXA. FY 2022 Statutory Loss² was \$(67.6) million largely reflecting the 1H FY 2022 non-cash impairment charge related to the BCM business and to the Group's premises footprint.

Link Group's **FY 2022 total revenue of \$1,175.1 million was up 1.3% on FY 2021.** This was driven by increased fund merger activity and project work as Retirement and Superannuation Solutions (RSS) supported fund transition activity, Link Intime (India) on increased IPO activity and an 11% increase in shareholders in FY 2022 and the full year benefits of the Casa4Funds acquisition. Total revenue for 2H FY 2022 was up 3.2% on 2H FY 2021.

Link Group reported **Operating EBIT of \$153.9 million for FY 2022, up 8.8% on FY 2021.** Operating EBIT margin for FY 2022 of 13.1% was 90bps higher than FY 2021. The 2H FY 2022 Operating EBIT margin of 14.4% was 260bps higher relative to 1H FY 2022.

Operating expenses for FY 2022 were up 2% on FY 2021. The GTP is complete and has delivered annualised gross benefits of \$77.9 million for a one-off program cost of \$113.8 million. About 85% of the gross annualised benefits have been realised as at 30 June 2022, with the remainder to be realised in FY 2023. Link Group expects the benefit from the GTP to offset some of the inflationary impacts that is expected in FY 2023.

For FY 2022 depreciation and amortisation (D&A) was \$98.4 million, which was down 14.6% on FY 2021 driven by the extension of useful lives of key proprietary software platforms and lower ROU amortisation and leasehold improvement depreciation related to the impairment of surplus premises space.

Significant items for FY 2022 were \$68.2 million of which \$40.1 million related to the GTP and the remainder was acquisition/transaction related. There will be no GTP related significant items in FY 2023. There may be some one-off restructuring costs associated with the simplification of the Group structure in FY 2023 and these will be excluded from Operating results.

Operating cash flow of \$205.0 million was generated over FY 2022. The cash conversion ratio of 81% in FY 2022 was impacted by timing and prepayment of vendor costs and insurance premiums, and normalisation of trade debtors and creditors. 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 member numbers up 9.1% year on year (YoY) as RSS onboarded 350K new members in the 4Q FY 2022. Adjusted for the benefits of the merger activity, underlying member growth for FY 2022 remained strong at 5.0% on FY 2021. RSS revenue for FY 2022 increased by 1.0% to \$511.7 million, representing 43% of Group revenue.

RSS revenue in 2H FY 2022 saw the benefits of higher member numbers and increased merger activity and project work as RSS supported funds transition activity. The UK strategy continues to track to plan with RSS now supporting 976,000 members, up 22.4% over the last 12 months.

On 26 August 2022, RSS signed an agreement to acquire HS Pensions in the UK. HS Pensions is a deeply experienced UK pensions administrator with strong capabilities in both defined contribution and defined benefits, and longstanding client relationships. This transaction is expected to complete in the second half of calendar 2022 and is subject to regulatory approval. With this transaction, RSS will administer over 1.4 million members in the UK. This acquisition is expected to be EBITDA neutral in FY 2023.

RSS continues to strengthen its front-line risk controls and improve its service levels. New product enhancements to Member Online and Advisor Portal are continuing to gain traction. Over the course of FY 2023 and FY 2024, the ongoing investment in automation, data and technology combined with RSS' industry leadership position will continue to support RSS' value proposition for clients and members and deliver EBITDA growth.

RSS recurring revenue for FY 2023 will be underpinned by the higher member numbers as previously mentioned, indexation benefits, underlying member growth assumptions and the benefit of continuing fund consolidation offset by the impact of known client exits from the previous year and unclaimed superannuation money (USM) program.

Corporate Markets (CM)

CM generated \$366.0 million of revenue in FY 2022, representing 31% of Group revenue. For FY 2022, CM revenues were up 0.3% with recurring revenues flat on FY 2021. On a normalised basis (adjusting for the divestment of Link Market Services in South Africa and the normalisation of AGM activity in Germany), FY 2022 revenues were up 1.7%.

The underlying revenue trends for CM continue to improve, with growth in India, the UK and Australia. Registry, Employee Share Plans (ESP) and Company Secretarial services saw mid to high single digit revenue growth in CM's core markets. Print and Mail revenue was negatively impacted in Australia as clients transitioned to digital services.

The UK has demonstrated stability in its revenue performance and has delivered improved profitability in FY 2022 despite prior year client losses. CM improved its market share of FTSE 350 share registry services to 32% and maintained its market leading position in AIM share registry with a 38% market share.

In Australia, CM won 7 of the 10 largest IPOs over the last 12 months and had a market share of ~58% for new money raised in the FY 2022. Fund Solutions in Australia will be part of CM from FY 2023 onwards. Fund Solutions Australia and CM share a complementary client base, enabling CM to offer full registry services and innovative solutions to its investment manager clients across both listed and unlisted products.

Link Intime (India) FY 2022 revenues were up 36% on FY 2021 and accounted for 7.8% of Divisional Revenue ex-Margin Income in FY 2022. Link Intime was involved in 34 of the 59 Indian IPOs in FY 2022 and had a market share of ~60% for new money raised in FY 2022.

The 2nd half of FY 2022 saw some early benefits of higher interest rates come through on float balances. Based on the markets current assessment of interest rates CM expects margin income contribution to significantly increase in FY 2023. Average FY 2023 float balances are expected to be ~\$1.4 billion with approximately 65% of this balance held in the UK.

Fund Solutions (FS)

FS generated \$181.4 million of revenue in FY 2022 representing 15% of Group revenue. FY 2022 Revenues were up 6% on FY 2021 on the back of higher average assets under management/administration (average AuM/AuA) in the UK and Ireland and the contribution from the acquisition of Casa4Funds in Luxembourg.

Average AuM/AuA in EMEA for FY 2022 was up 5.4% on FY 2021 to £174 billion. The increase is largely driven by generally higher average asset prices observed across financial markets during FY 2022.

FS has continued to execute on its strategy in FY 2022 including rolling out cross-jurisdictional oversight and governance tools across all locations. During FY 2022, FS helped launch 28 funds across EMEA and won business with 9 new investment manager partners. FS continues to expand its product offering, leveraging its alternative fund expertise to support the global growth in private markets.

Banking and Credit Management (BCM)

BCM is Europe's leading independent loan and asset management platform with AUM of €63.0 billion at the end of June 2022. BCM generated \$131.6 million of revenue in FY 2022 representing 11% of Group revenue. FY 2022 revenue was down 6.7% on FY 2021 with reduced revenue from non-performing loans' (NPL) run off was partially offset by stronger revenue from origination clients in Ireland and the Netherlands.

BCM is on track to execute on its strategy and should benefit from its growing primary market and origination services business (the UK, Ireland and the Netherlands), expanding into Italy and new servicing wins in Ireland and UK.

PEXA

PEXA continued to perform well with key financial metrics outperforming Prospectus forecasts. PEXA contributed \$33.1 million to Link Group's Operating NPATA¹ in FY 2022. Link Group retains a 42.8% equity stake in PEXA and the market value of Link Group's equity interest in PEXA is approximately \$1.16 billion, which equates to \$2.25 per Link Group share⁶.

PEXA recorded a 22% YoY increase in the number of transactions processed to 4.05 million due to favourable market conditions and growth in transfer market penetration to 85%. For FY 2022, PEXA reported revenues of \$279.8 million, up 27% on FY 2021 and 13% better than prospectus forecast. PEXA Exchange EBITDA for FY 2022 was up 38% on FY 2021 to \$152.7 million, 21% higher than prospectus forecast.

6. Based on PEXA Group closing share price as of 26 August 2022 of \$15.24 per share. Link Group shares outstanding of approximately 512.987 million shares.

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

“Link Group is now connecting over 100 million people across the globe with their assets, **safely, securely and responsibly**. After a year of consolidation and resetting, 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 sound shape with RSS and CM expected to deliver margin improvement in FY 2023. We have delivered on our global transformation program commitments, and we expect our global hub strategy and continuing investment in new technology will deliver ongoing benefits in the form of further efficiencies and automation in FY 2023.

Our strategy over the last 18 months has been to simplify and optimise our business. As an extension of our Simplify strategy, we have evolved our operating model and our four global businesses now operate with end-to-end responsibility, creating dynamic and flexible businesses that can easily adapt and respond to the ever-changing environment.

The operating environment remains challenging with cost pressures from higher inflation, higher interest rates, challenging employment conditions and increased market volatility. We are confident that our businesses provide the diversity and resilience required to navigate these conditions. We reaffirm our expectations for FY 2023, of low single digit revenue growth, and Operating EBITDA is expected to be up 8%-10% on FY 2022.

In July 2022, Link Group signed a revised Scheme Implementation Deed with Dye & Durham Corporation. Link Group shareholders have overwhelmingly supported the transaction as evidenced by the vote at the shareholder meeting held last week. The scheme remains subject to certain Conditions Precedent (including matters not occurring) as detailed in Link Group’s release to the ASX on 22 August 2022, including the receipt of outstanding regulatory approvals and the approval of the Supreme Court of New South Wales. At this stage the second Court date is scheduled for 9 September 2022 and the scheme implementation is scheduled for 27 September 2022.”

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

Vivek Bhatia (CEO & Managing Director) and Andrew MacLachlan (CFO) will host an investor presentation and Q&A session on Link Group’s FY 2022 results at 9:30am (AEST) 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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