MARKET ANNOUNCEMENT

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Subject: FY17 Results - CEO and CFO conference call script

Attached is a script of the presentations delivered by the CEO and CFO at Computershare’s Full Year results conference call held on 16 August 2017, for the year ended 30 June 2017.

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FY17 Results - CEO and CFO conference call script

Stuart Irving, Chief Executive Officer and President

Good morning everybody and let me add my welcome to you all for the Computershare Full Year Results conference call for 2017.

Today I am joined by Mark Davis, our Chief Financial Officer, and Michael Brown from our Investor Relations team.

On this call I will take you through a summary of the results and how we are progressing on our strategic priorities to build growth engines, reduce costs to improve profitability and manage our capital to enhance returns for shareholders.

Mark will talk to our financial performance in detail, then after some concluding remarks, we will open up for questions.

We have also released a presentation pack to the ASX this morning and we will be referring to those slides during this call.

Before I move to the deck, there are four key points I want to get across today:

Firstly Point 1.

It has been a positive and encouraging year at Computershare where we have delivered on upgraded earnings guidance and delivered strong cash flows. The returns create the capacity to drive sustained growth and enhance shareholder returns.

Point 2.

We delivered these strong results despite some challenges. Corporate actions revenues were cyclically depressed and our guidance had assumed an improvement in the second half and that didn't come through. Margin income also had the lowest yield since CPU records began. Thankfully margin income turned positive in the second half. Given these challenges, these results show the strength of our underlying business performance.

Now on to Point 3.

Our growth, profitability and capital management strategies are driving this strengthened performance and earnings power. Our growth engines and cost out management strategies are contributing to our profitability, and our balance sheet continues to improve with our debt leverage ratio now below the Board's policy range, which has enabled us to announce a new buy-back program today.

And finally point 4. Most significantly, we are positioning CPU for a period of sustained earnings growth. FY17 is the beginning of a multi-year earnings growth phase.

We are building significant earnings power with our growing mortgage services businesses and our global share plans business, which at the end of this financial period had some $125bn of assets under administration (and that number is new disclosure). Also adding in our multi stage cost out program and our $16.7bn of client balances that we manage, that is why we believe we can continue with sustained earnings growth, which brings us to FY18 guidance.

Our starting guidance for FY18 assumes an increase of 7.5% growth in Management EPS in constant currency.

Whilst we do not specifically guide to Management EBITDA we do expect it to grow at a faster rate than EPS. In bridging the two, note that amortisation is rising as we purchase MSRs and the Tax Rate is increasing as the US contributes a larger share of Group profits.

Our guidance does not include the buy-back. Given timing issues, its impact is not expected to be meaningful in FY18.
**Slide 2: Executive Summary**

Now, let’s start with slide 2, the Executive Summary.

I would like to highlight some key metrics for the 2017 year and will be talking in US dollars and at constant currency.

Management Revenue was up by 10.6%.

As we have called out previously and you will see in the detail, as was the case in the first half results, our revenues benefited from the maiden contribution from our UKAR contract win in UK mortgage services. As expected, UKAR has diluted Group EBITDA margin. We run this contract, our largest ever contract, for cash profit and it does distort our Group revenues and margin.

Excluding UK mortgage services, Group revenue increased by around 1.1% percent. That’s a slight acceleration in the second half.

Management EPS came in at 57.04 cents, an increase of 3.5%.

Management EBITDA was $557.2m. It grew by 4.6%. Around 55% of our earnings were delivered in the second half.

And excluding margin income, underlying EBITDA was up by 9.6%.

You’ll also see here that statutory EPS is up 70.8%. As many of you know, it is not the number we manage the business to or judge our performance by. We simply put it here for completeness.

Mark will take you through a more detailed analysis on the numbers a little later in the presentation.

And finally, we announced a final dividend of AU 19 cents per share. An increase of nearly 12% on last year’s final dividend. That makes AU 36 cents for the full year, an increase of over 9%. These are signals of confidence.

**Slide 3: Strategies driving performance and earnings power**

Moving to slide 3, let me update you on our growth, profitability and capital management strategies. These strategies are driving our performance and importantly, our earnings power. This earnings power is important because it gives us the confidence to call out that we are beginning a multi-year earnings growth phase. You will also find more details on each of these strategies across slides 5-9.

So let’s start with our growth engines which have performed strongly in FY17.

Mortgage services increased revenues by 71%. In the US and the UK, this business on a combined basis now accounts for almost 25% of Group revenues. It’s a sizable business with rising profitability. EBITDA effectively doubled to $78m.

In our US mortgage services business we are executing to plan. We continue to build towards scale and the anticipated returns we affirmed at our Investor Strategy Day in April. As a reminder, at scale of approximately 100bn of UPB, we are building towards 20% profit before tax margins and 12-14% post tax, post maintenance capex free cash flow return on average invested capital.

The two main lead indicators in this business are UPB, which is unpaid principal balance or more simplistically the value of loans under service, and service quality. These are the foundations for building a profitable and sustainable business.

At the end of June the UPB we serviced in our US business grew to $59.8bn, up from $52.9bn. Over in the UK, we serviced 64bn pounds of mortgages.

Our reputation for service quality also continues to grow. Pleasingly, we continue to be rated as one of the world’s best mortgage servicers by the rating agencies. In this sensitive market, where service quality can determine regulatory risk, our reputation for quality is creating new servicing opportunities for us with the major banks and mortgage bond holders.

Over in the UK the UKAR contract is a good news story. The integration of UKAR is ahead of plan. The synergy benefits are being delivered with much more to come. We also won a number of new originating challenger banks clients in the period. These originators will grow their originations over the medium term helping build a sustainable growth business.
Share plans is our other growth engine. This business enjoys a combination of structural growth and at the moment, cyclical recovery. Excluding margin income, where rates were affected especially in the key UK market, revenues increased by 13% and EBITDA increased by 58%.

The fundamental earnings driver is the number of units we administer – typically share options and rights. Assuming these units which have been granted become “in the money” as equity markets rise, they are likely to be exercised at some point. At the time of exercise this most likely creates a sell or transfer order. These orders transactional revenues for us. We administer around $125bn of these assets around the world. Our scale is driving operating leverage as well as providing data insights to our clients who strive to create effective plans for both retaining and rewarding their employees. This unique value proposition is resonating well.

Let’s move to our profitability strategy. Our cost management program is on track and beginning to deliver the expected benefits. $13.7m of savings were realised in FY17. That’s slightly ahead of schedule. Our target of $85m - $100m total savings, which we have published for Stages 1 and 2, is also on track. And with stage 3 to be quantified next calendar year, there is more to come. We expect process automation to figure prominently in that. We are building scale and process automation has widespread application in Computershare.

We can see these cost savings initiatives driving margin improvement in our mature registry business line. Specifically, in US registry, the largest in the Group, where EBITDA also increased at a faster rate than the Group average. Register maintenance was affected by the loss of flow on effect from corporate actions.

We also saw a number of our competitors change hands during the period in the UK and the US, with the last remaining bank exiting the US market. We believe this is a net positive for CPU. Some recent registry losses in the US were around banking and this just levels that playing field.

Margin income is another potential profit driver and part of our earnings power. Lower yields were a drag on earnings again in 2017 though. In actual currencies, margin income fell by $17.1m. I am pleased to say this drag after many consecutive halves of decline, has turned positive. Margin income increased by $3m to $69.6m in 2H. Yields are slowly recovering from the lowest level in CPU history and we hope for more rate rises to come. With $16.7bn of FY17 average daily client balances and $10.2bn of that which are exposed to interest rates, we have significant leverage to a rising rate cycle. That’s part of our earnings power.

Finally let’s touch on capital management. Capital management is our strategy to enhance shareholder returns. Starting with cash, free cash flow as you can see is a strong feature of these results. We generated free cash flow of over $362m in the year. With the proceeds from asset sales, such as our shares in InveShare and our corporate headquarters in Melbourne, we are simplifying the business and recycling capital for higher growth and returns. In this period we were able to reduce our leverage ratio to 1.6x. That is now below the 1.75 times to 2.25 times Board policy.

This gives us additional capacity to self-fund our growth, and drive improved returns for shareholders.

And just for clarity the 1.6x number does not include the $90m of sale proceeds we expect from the sale of our share in our Indian JV with Karvy, which should close later this year.

As I mentioned before, the final dividend is up 2 cents to 19 cents Aussie and we have announced a 200m Aussie dollar share buy-back today.

As you would expect, we continue to be presented with inorganic growth opportunities too. Any purchase must be within our core competencies and be strategically aligned to the Group. Furthermore it must be financially accretive. It is no secret we see for example, Government Registries, as a potential new long term growth vertical. However valuation matters, and we will not overpay. Now given how some recent processes worked out some will say that is just our sour grapes. We say it’s our discipline.
Slide 4: FY18 outlook

Now let me talk about the outlook for FY18 a little more.

First, as you may know, we moved the basis of our guidance for FY17 to constant currency. We have been told by investors that they appreciate this. It does help to show our true business performance and it takes away some of the distracting macro noise that we cannot control.

We are maintaining that consistent methodology for FY18.

At this early stage in the new financial year, we expect FY18 Management EPS to increase by around 7.5% on FY17; another year of positive earnings growth.

For comparative purposes, the base FY17 EPS is 54.41 cents. Please don’t confuse the base with the FY17 Constant Currency Management EPS that we have just reported. In our methodology the constant currency EPS rolls into the Actual EPS to become the base. Mark can take you through this in more detail if there are any questions.

We are making some important assumptions in setting this guidance. Let’s go through these points for clarity. We assume equity markets remain at current levels. We expect interest rate markets to perform in line with current market expectations and we also expect there is a modest improvement in Corporate Actions revenues compared to FY17. I look forward to updating you on our progress as we move through the year.

I now will hand over to Mark for a deeper dive on the financials.

Mark Davis, Chief Financial Officer

Thank you, Stuart.

Slide 10: Management Results summary

Let’s now turn to slide 10 for a summary of the results. I will talk in constant currency numbers unless otherwise noted.

Group revenues increased by 10.6%, the majority of the growth came from UK mortgage services. This is a creditable performance given the cyclical weakness in corporate actions revenue and reduced margin income.

Management EBITDA for the year is up 4.6%. As anticipated, UK mortgage services affected our margin which came in at 25.5%. This was similarly impacted by the corporate action and margin income weakness that we have mentioned.

You will see that amortisation effectively doubled to $24m. Almost all of this relates to US mortgage service rights which we amortise over their useful life. This increase reflects the increased investment in MSRs that we have been making.

Working down the income statement, I’d like to call out that our income tax expense increased by a higher rate than PBT. This largely reflects the growing percentage of US earnings in the profit mix.

And you will see Management EPS was in the upper half of the guidance range we provided.

I’d also like to call out another strong feature of the results which is cash.

As you will have heard from me previously on this, we manage our cash and capital carefully. Net operating cash flow increased by a strong 12.6% and free cash flow increased by 7.9%.

It is worth noting that these reflect actual currency numbers and were negatively impacted by the fall in Sterling post Brexit.

Coupled with the recycling of capital from asset sales, our net debt: EBITDA ratio fell sharply, enabling today’s announcement of a new share buy-back.

Slide 11: FY17 Management NPAT analysis

This chart shows a waterfall, bridging FY16 Actual NPAT to FY17. Here the most significant contribution is the growth in Management EBITDA excluding margin income of $36.3m. You will note
that margin income was an $11.7m drag on our results versus pcp. Pleasingly margin income turned positive in 2H17 and that is something we haven't seen for quite a while.

**Slide 12: Management revenue breakdown**

On to slide 12, management revenue breakdown.

The key point here is that having invested in recent times, our growth engines are now on track and performing well.

Our business services stream delivered 38% revenue growth and is now our largest revenue stream. I’ll talk more specifically about the growth in US and UK mortgage services but here I would also like to call out that our class actions business is developing momentum with large case wins during the year, such as VW.

Corporate actions revenue declined by around $15m and was weaker than we anticipated. This weakness also had a flow on effect into register maintenance. Revenues in HK and Canada were up but offset by the US, UK and Australia.

Employee share plan revenue was stronger up 6%. These revenues are a combination of recurring employer paid fees and transactional revenues which are paid by employees. The latter were boosted by improvements in equity markets.

**Slide 13: Management revenue bridge**

A few points to note on slide 13. Firstly, business services revenue increase was the dominant driver of overall growth led by UK mortgages services. Being a closed book we expect that UKAR revenues have now peaked and will decline in line with the amortisation of the loan book.

Corporate actions revenues were the lowest since 2005.

You will see on the far right of the slide the FX impact which affected the actual Management revenue result by $69m. This was essentially due to the fall in the Sterling post Brexit.

**Slide 14: Client balances and margin income**

Moving to slide 14. Client balances continued to grow - up $1bn on last year. The average balances in 2H were $16.8bn. I remind you that these figures are based on actual FX rates where the fall in Sterling again impacted on the totals.

Pleasingly for the first time in many periods the yield on client balances trended slightly higher in 2H17. It is encouraging to see this turning point.

**Slide 15: EBITDA by business stream**

Breaking down our EBITDA by business stream on slide 15, we can see that business services contributed the largest $ increase to the growth in EBITDA. Business services now accounts for almost one third of Group profit. I’d also like to draw your attention to some further new disclosure on business services on page 30 in the appendices. I won’t go through the detail on this call but you see a further breakdown of revenues in this stream in addition to mortgage services.

Register maintenance and corporate actions EBITDA was a better story than what showed at the revenue line.

Despite the weakness in corporate actions, EBITDA was effectively flat. Profitability was supported by our cost management initiatives and margins improved to 31.7%. I’d also call out that US registry EBITDA, again supported by cost management programs, increased at a faster rate than the 4.6% Group increase.

**Slide 16: Margin income by business stream**

At the Investor Day in April we provided new details on margin income. On slide 16, we have for the first time provided the breakdown of margin income by business stream for this year and last. You will see that depending on where the margin income was generated some contributions performed differently to others.

I’d call out some important numbers on this page.
Employee share plans EBITDA ex margin income increased by 58% and business services EBITDA here increased by 45%. It is good to see our growth engines are on track.

**Slide 17: Operating costs analysis**

On slide 17 we have provided a detailed breakdown of our operating costs. There are some key points that I would like to call out. Firstly our cost out program is starting to deliver the anticipated benefits. Stages 1 and 2 saved $13.7m for us in the year.

For the Group as a whole, UK mortgage services had a distorting effect. Costs in this business, given UKAR, were up $151m. As we integrate the business, further synergy benefits will be realised.

Acquisitions such as CMC also led to an additional $23.9m of costs.

A further $17.3m of costs were incurred as lower margin revenues were more significant in the overall mix. For example, we had class actions effectively replacing corporate actions at lower margins.

Cutting through the detail, let me make some observations. Excluding UK mortgage services and acquisitions, personnel costs were flat and technology costs were down.

Our ongoing and disciplined approach to cost control continued.

**Slide 18: Operating and investing cash flows**

Moving to cash flow on page 18. The key number to highlight is free cash flow excluding SLS advances (which as you know advances from period to period). This figure was $362m and this is after spending $34m on business capex and $23.9m on maintenance MSR purchases to maintain the book. We then spent an additional $61.9m on investing cash flows to grow the MSR book. We provide some further explanation on slide 54.

The 7.9% increase in free cash flow coupled with the $66.2m disposal proceeds from our Melbourne head office and 23.8m from the sale of Inveshare generated the marked reduction in net debt and leverage which you can see on slide 19.

**Slide 19: Balance sheet**

Net debt fell by $260.8m, a drop of 23.1%, and as a result our leverage ratio as Stuart mentioned dropped to 1.60x and this is before the realisation of the Karvy sale proceeds. Even without Karvy, this is the lowest level this ratio has been since FY11.

I’ll now hand back to Stuart for some concluding remarks.

**Stuart Irving, Chief Executive Officer and President**

Thank you Mark.

Now, let me wrap up this presentation with some concluding remarks which is slide 20.

**Slide 20: Conclusions**

As we have demonstrated with these results, the execution of our growth, profitability and capital management strategies are under way and on track. Our underlying business performance is robust and we are building significant earnings power to drive future performance too.

We will continue to grow mortgage services as per our plan, maintain our profitability in registries, invest for growth in employee share plans and support these initiatives with a rigorous and ongoing cost management program. And we look forward to margin income continuing to recover.

We will continue to manage and recycle capital to self-fund our growth and improve returns for shareholders. Our business model, with around 70% of revenues recurring, generates strong free cash flow. Our balance sheet organically improves. You can see that in these results.

In conclusion, I would like to re-visit and re-affirm a commitment we gave to you first in February 2016 when this journey to the “new CPU” began. We said then a simpler, more transparent, disciplined and profitable Computershare is emerging - with a focus on building and protecting scale in core markets to drive operating leverage, delivering sustained earnings growth and improved shareholder returns.
This is as true and relevant today as it was then.

In FY16 we made some meaningful progress defining and setting out the strategies for the Group.

In FY17 we started executing against these strategies and doing what we said we would do. We have hopefully demonstrated more progress. We have started to deliver positive earnings growth.

In FY18 and beyond we will continue our relentless pursuit of this goal. Quite simply, there is much more to come.

Of course in delivering these strategies it would also be remiss of me not to thank all the Computershare staff globally who have worked so diligently and in challenging markets to deliver this result.

We are proud of the special culture at Computershare, which is always innovating and delivering exceptional service to our clients but most importantly it’s about doing the right thing, and you can see that coming through in the results.

Now that is the main part of the presentation concluded and we will now move on to questions.