

## MARKET ANNOUNCEMENT

<b>Date:</b>	7 <sup>th</sup> April 2020
<b>To:</b>	Australian Securities Exchange
<b>Subject:</b>	<b>FY20 Earnings Guidance Revised and Investor Call</b>

### FY20 Earnings Guidance Revised

Given recent changes to the external environment and the effect on Computershare's margin income and transactional revenues, FY20 Management EPS is now expected to be down around 20% compared to FY19, on a constant currency basis.

Previously, on March 11<sup>th</sup>, Computershare expected Management EPS for FY20 to be down around 15%.

Stuart Irving, CEO said, "Over the past few weeks our focus has been on the safety of our employees. We have been implementing a number of measures to reduce operating risks and ensure the delivery of critical projects for our clients globally. The latest interest rate cuts were earlier than we anticipated. Coupled with reduced transactional revenues and foreclosure suspensions, earnings will be impacted.

Whilst some of the transactional volumes are more challenging to predict in this environment, there are a number of opportunities in other parts of the group, and our strategies to build strong businesses with solid long-term growth prospects are intact. Our goal is to update and assist investors through this period and continue to provide guidance."

### Business Performance Update & Investor Call

Stuart Irving, and Nick Oldfield, CFO, invite investors to join them a conference call and Q&A session today at 9.30am AEDT, 7<sup>th</sup> April where they will provide an update on the main business lines.

Call details are as follows:

Callers within Australia: 1800 896 323

London: +44 2033 760 176

New York: +1 855 731 0983

Participant passcode: 92895 42653

A recording of the call will be available on the Investor Relations page of our website [www.computershare.com/corporate](http://www.computershare.com/corporate).

This announcement is authorised by the Board.

MARKET ANNOUNCEMENT

This guidance update is provided subject to the important notice regarding forward looking statements that is set out on page 15 of the presentation that accompanies this announcement.

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# MARKET UPDATE AND BUSINESS PERFORMANCE REVIEW

**7 April 2020**

CERTAINTY | INGENUITY | ADVANTAGE

 **Computershare**

## Providing guidance in volatile macro conditions

Computershare is continuing to provide guidance to assist investors through this period of heightened market uncertainty

- > Computershare revised FY20 Management EPS guidance on March 11th
- > Since then the external macro environment has continued to regress
- > While around 80% of our revenues are recurring, transactional revenues have become more challenging to predict
- > Rather than withdraw guidance, our aim is to assist investors through this period. We are providing a contemporary and transparent view of our revised earnings expectations and the performance of our major business lines
- > We now expect FY20 Management EPS to be down around 20%
- > Recognising the primacy of shareholders, we will continue to provide regular updates and as always, “we will tell it how we see it”

# Operations overview

Computershare is working closely with clients to maintain critical services

Ensuring the health and safety of our employees remains Computershare's key focus

Dedicated COVID-19 response team in place since mid-February

Computershare deemed a critical service provider where relevant

Well developed plans for managing through operationally challenging periods have been enacted

Systems remain fully operational globally to support our clients

Over 80% of our global workforce working from home

Client service delivered via existing online and remote channels

# Guidance revised, margin income updated

Resilient operating revenues, lower rates and transactional revenues affect earnings

## FY20 earnings guidance revised

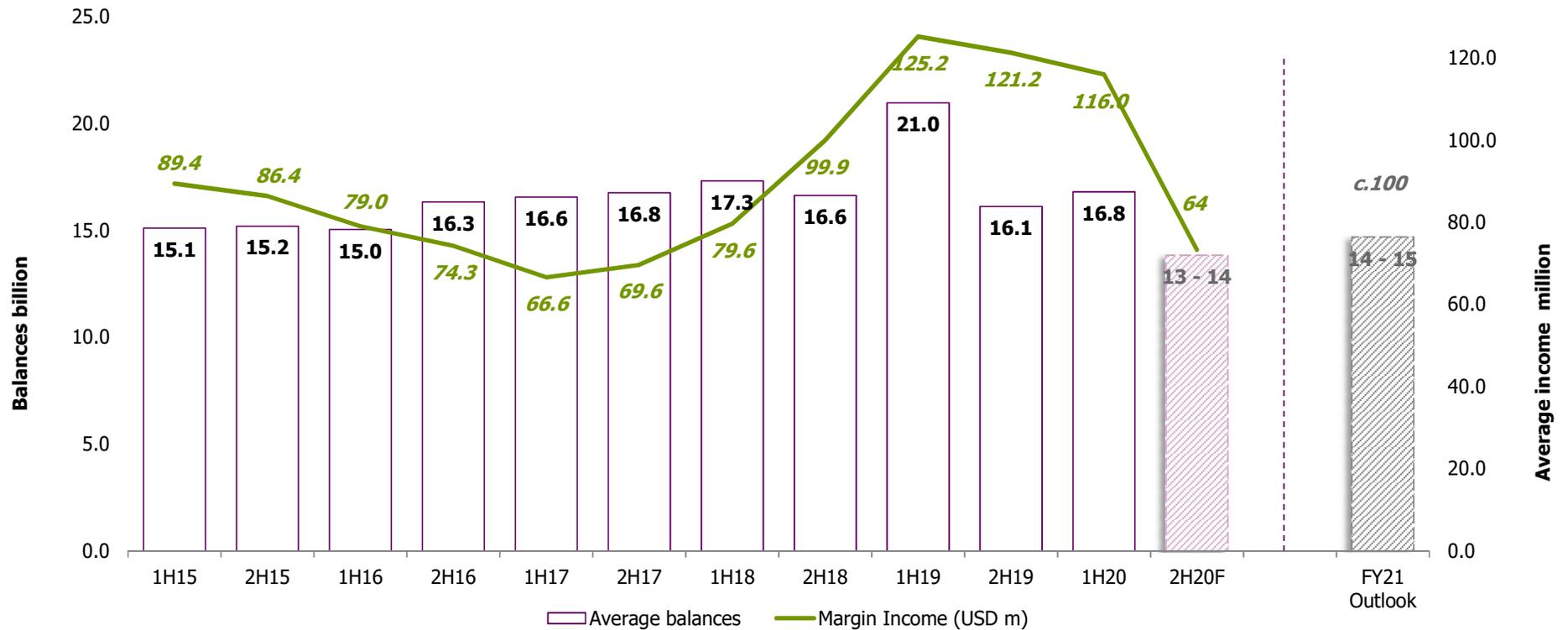
- > FY20 Management EPS is now expected to be down around 20% (previous guidance down around 15%)
- > Following our Announcement on March 11th
  - US Federal Reserve, Bank of England and Bank of Canada have undertaken further rate cuts earlier than expected
  - US Government has placed a moratorium on mortgage foreclosures
  - Transactional revenue in Employee Share Plans in March is being impacted by equity market volatility with some exercises being deferred
- > On the positive side, recurring operating revenues are resilient, we are seeing a sharp increase in Bankruptcy Administration pre filing work and equity capital raisings activity ramp up, which we expect to continue

## Margin income update

- > FY20 margin income is now expected to be around \$180M (previously around \$185m)
- > FY21 margin income is now expected to be around \$100M (previously around \$115m)
- > We now assume average client balances will be around \$13-14bn for the fourth quarter of this year, and the average in FY21 to be around \$14-15bn

# Margin income

FY21 Margin income revenue expected to be around \$100m



# Issuer Services

Register Maintenance has recurring fixed fee revenues

Assessed impact

Register Maintenance

60%-70%

Issuer paid fixed fee

- > Annual recurring fixed fees paid by issuers remain stable ▶
- > Critical nature of service drives resiliency

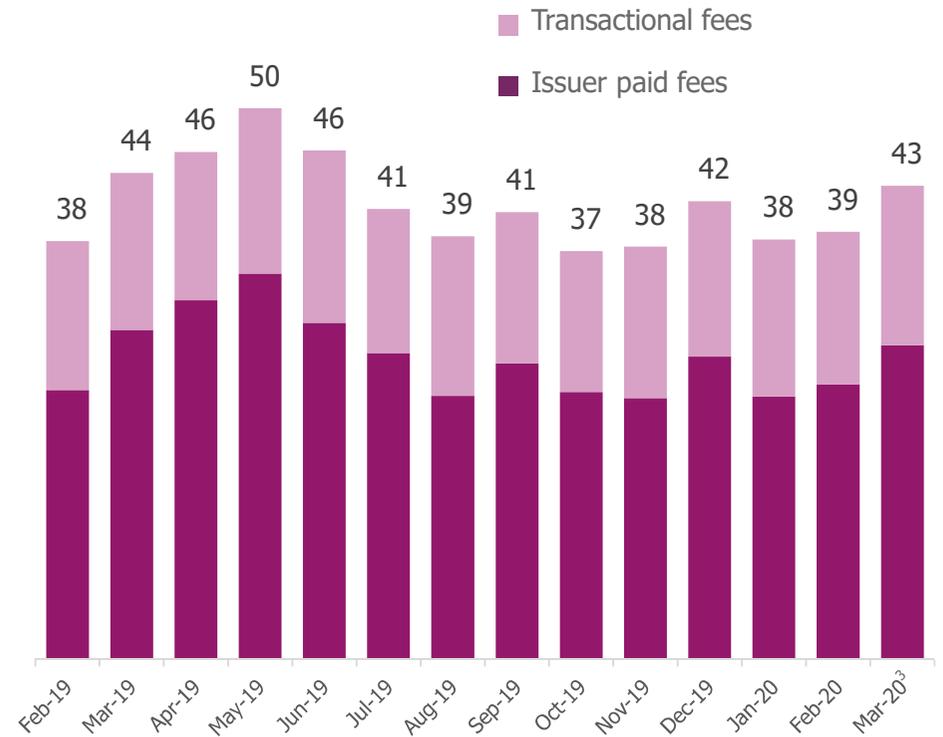
30%-40%

Event based fees<sup>1</sup>

- > US shareholder paid activity -15% (last two weeks of March) ▼
- > DRIP<sup>2</sup> take-up unchanged to date ▶
- > Dividend suspension currently immaterial <1% ▶
- > AGM's deferred or transitioned to virtual: \$2- \$3M revenue postponed ▶

Notes: <sup>1</sup> Shareholder driven event based transactional fees paid by shareholders and / or third parties <sup>2</sup> Dividend Reinvestment Plan <sup>3</sup> March Estimate

LTM Register Maintenance fee income by type



CC FY19 average rates

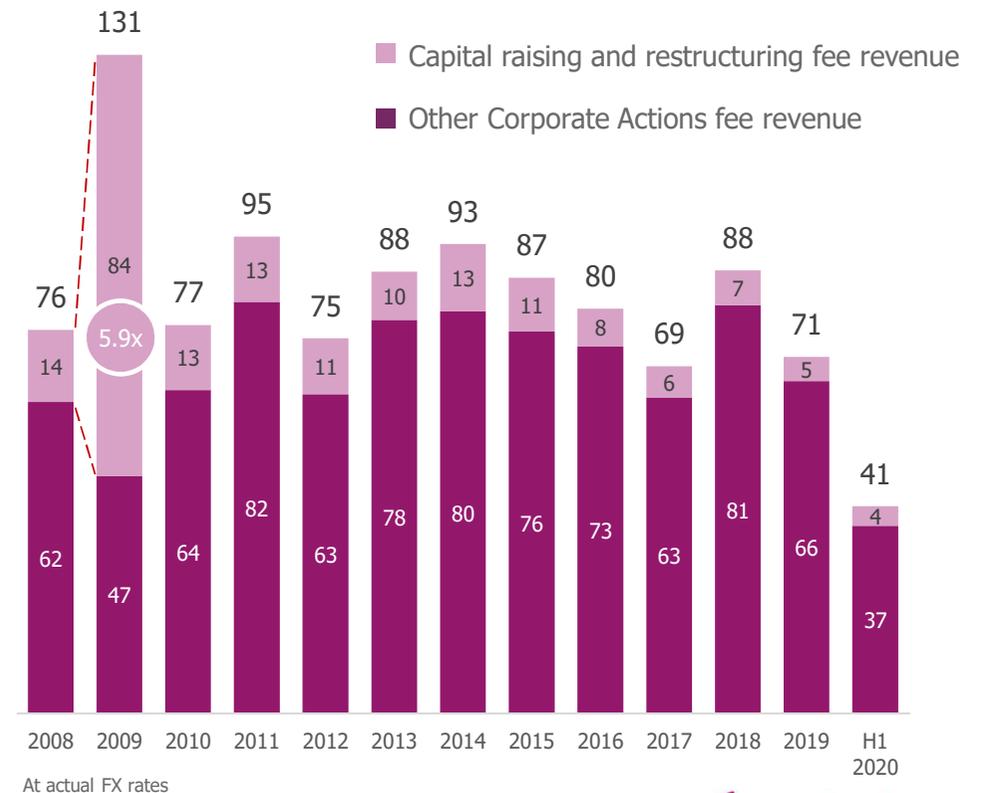
# Issuer Services

Corporate Actions: subdued M&A activity. Upside from potential capital raisings

		Assessed impact
Corporate Actions	Capital Markets	<ul style="list-style-type: none"> <li>&gt; Capital raisings expected to increase</li> <li>&gt; Early market signs positive</li> </ul> 
	M&A	<ul style="list-style-type: none"> <li>&gt; Currently subdued M&amp;A environment</li> </ul> 
Stakeholder R'ship Mgmt	Event based fees	<ul style="list-style-type: none"> <li>&gt; Large mutual fund proxy solicitation underway</li> </ul> 
Governance Services	Registered Agent fees	<ul style="list-style-type: none"> <li>&gt; Positive early signs from Corporate Creations acquisition<sup>1</sup> <ul style="list-style-type: none"> <li>- Revenues +10% for March vs. pcp</li> <li>- Annual filings +20% for March vs. pcp</li> </ul> </li> </ul> 

Notes: <sup>1</sup> Acquisition completed February 2020

Corporate Actions fee revenue composition: GFC to today



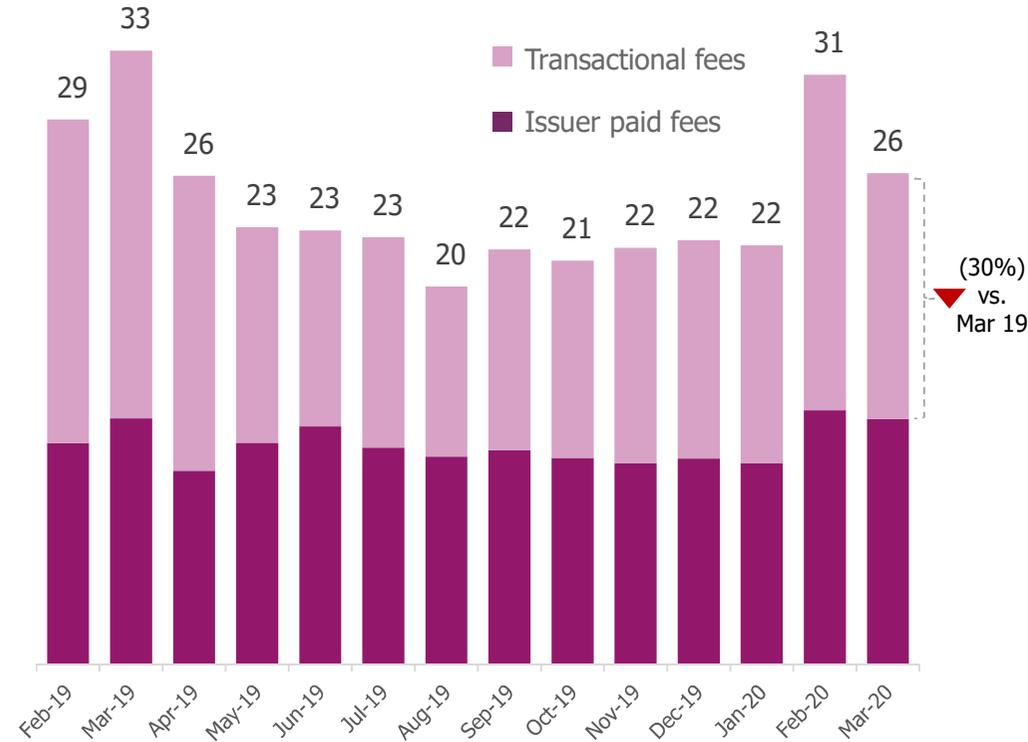
# Employee Share Plans

Stable recurring fee revenues. Market volatility impacts transactional volumes

Assessed impact

50%	Corporate paid recurring fees	<ul style="list-style-type: none"> <li>&gt; Contracted issuer paid fees for management of share plans remain strong</li> <li>&gt; Growing number of issuers looking to issue equity or options to employees in current environment</li> </ul>	▶
50%	Transactional fees	<ul style="list-style-type: none"> <li>&gt; Employee transaction volumes impacted by equity market volatility</li> <li>&gt; Vast majority of AuA<sup>1</sup> is long shares or time based restricted stock which remains in AuA through cycle. Revenue deferred, not lost</li> </ul>	▼ ▶
	Structural growth trends	<ul style="list-style-type: none"> <li>&gt; Structural trend in "Equitisation" of remuneration to strengthen</li> <li>&gt; Low equity prices typically leads to greater volume of units issued</li> </ul>	▶

## LTM Global Plans Fee Income



# US Mortgage Services

Core servicing activities remain resilient. Restrictions on foreclosure.

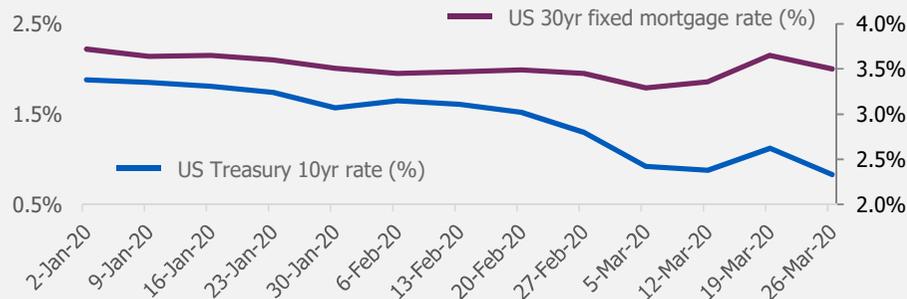
## Refinance activity slowing

Assessed  
impact



- > Refinance activity slowed over second half of March and should slow further as shelter in place widens
- > Possibility for refinance activity to increase in FY21. Fulfilment volumes expected to strengthen further
- > Around half of book is non-performing and difficult to refinance
- > Mortgage interest rates volatile in current environment. 30 years' rates range from 3.25% to 3.87% across originators

30yr fixed rate mortgage rate vs. US Treasury 10yr rate (last 3 months)



Source: Federal Reserve Economic Data, United States Treasury Constant Maturity 10 year rate

## Strip sales market open

Assessed  
impact



- > Strip sales allow us to recycle capital and sell part of the revenue on the MSR
- > Investor appetite for excess strip sales remains and expect to complete a transaction in Q4FY20
- > Reduced MSR spending and taking advantage of lower prices in the current market

## Mortgage holidays, revenue unaffected

Assessed  
impact



- > US Government instituted payment holidays for mortgagees and imposed restrictions on foreclosures
- > Payment holidays result in payments rolling up to principal, to be repaid at a later date
- > No impact to our performing servicing revenues; however, foreclosure stops will temporarily reduce revenues from default servicing

# US Mortgage Services

Computershare is well positioned in the event of an increase in delinquencies

## US delinquencies

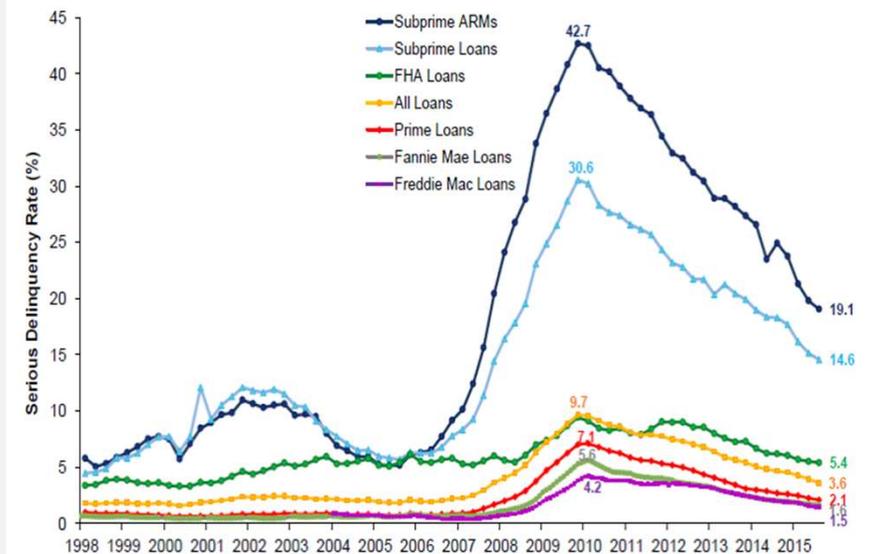
Assessed  
impact



- > A rise in delinquencies creates a need for increased advance funding requirements and special servicing revenue opportunities
- > Our advance funding risk is focused on our performing Freddie Mac and Fannie Mae ("FMFM") MSR portfolio. Where borrowers default we are required to provide advances to bondholders to cover up to 120 days of payments
  - During GFC FMFM delinquencies peaked at 4.2% and 5.6%
  - Total US mortgage delinquencies peaked at 9.7%
  - A 5% rise in FMFM delinquencies requires c.\$28M in advances<sup>1</sup>
- > We are establishing a new \$100m advance facility to provide additional liquidity
- > Post 120 days delinquent, the servicer will seek to modify loan creating new incentive fee opportunities.
- > We are receiving enquiries around new non-performing servicing opportunities. Our delinquent flow business should also increase.

Notes: <sup>1</sup> Sensitivities to the level of delinquencies are linear, 10% delinquencies would be twice the funding requirement

Single-Family Mortgages, 90 days or more delinquent - 3Q 2015



Source: Mortgage Bankers Association, Fannie Mae Freddie Mac.

# Business Services

## Strong rebound in Bankruptcy Administration

### Global Claims Administration

Assessed impact



#### Bankruptcy Admin.

- > Highly counter-cyclical business ramping up
- > Previously contributed c. 10% of Group EBITDA
- > 20 new bankruptcy administration cases won CYTD vs. average 22 cases p.a.<sup>1</sup>
- > 6 wins in past two weeks

#### Global Class Actions

- > Class Actions volumes expected to increase, although margin income revenues impacted by lower rates
- > More remedies to be administered to plaintiffs

### Corporate Trust

Assessed impact



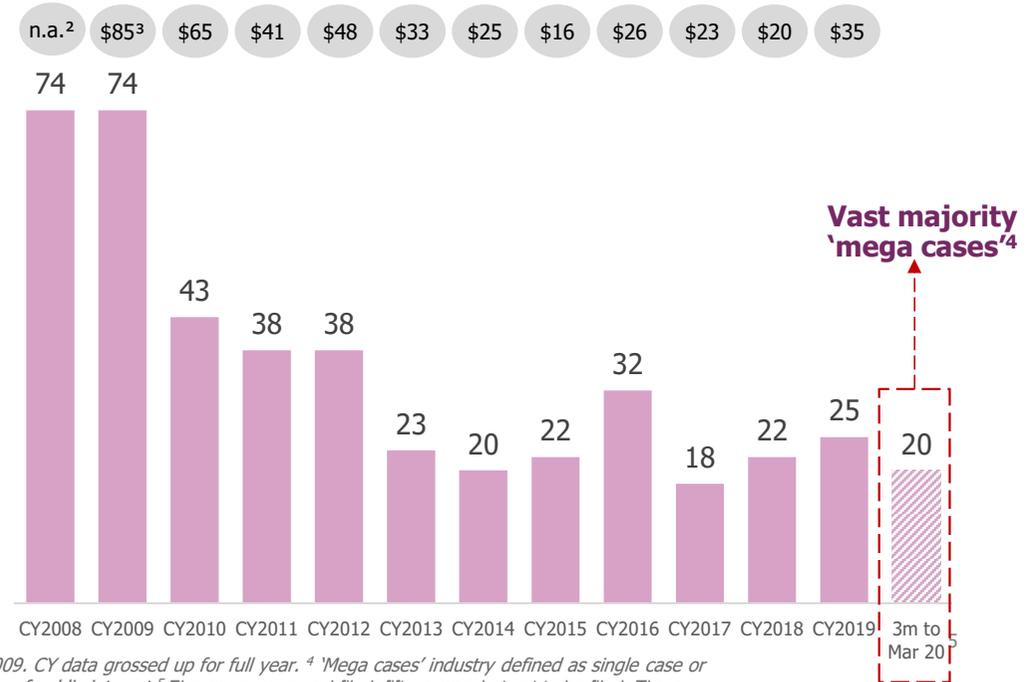
- > Recurring fee revenue stable
- > Lower rates are impacting margin income, however balances remain stable

Notes: <sup>1</sup> Average over last 3 years <sup>2</sup> Revenue data not available prior to CPU acquisition. <sup>3</sup> CPU acquisition of KCC in April 2009. CY data grossed up for full year. <sup>4</sup> 'Mega cases' industry defined as single case or set of jointly administered or consolidated cases that involve \$100m or more, 1000 or more creditors, or a hold a high degree of public interest <sup>5</sup> Five cases won and filed, fifteen won but yet to be filed. Three months ending March 2020

### Bankruptcy cases during GFC vs. 2020 CYTD

#### # of bankruptcy cases administered by Computershare

\$X CY revenue US\$M



# Balance Sheet

Leverage ratio within target range and organically improving

## Net Debt to EBITDA leverage ratio

- > Net debt to EBITDA leverage ratio is 2.20x at 31 March 2020
  - Completed the purchase of Corporate Creations and paid interim dividend
- > Net Debt to EBITDA leverage ratio expected to be c. 2.15x at 30 June 2020

## Funding costs

- > Expect \$12m reduction in interest expense to flow through via floating interest rate reductions for FY21
- > Floating debt includes bank debt and some US Private Placement debt
- > As at 31 March 2020 Computershare had \$2.0BN gross floating debt<sup>1</sup> at an average interest rate of 1.97%<sup>2</sup>

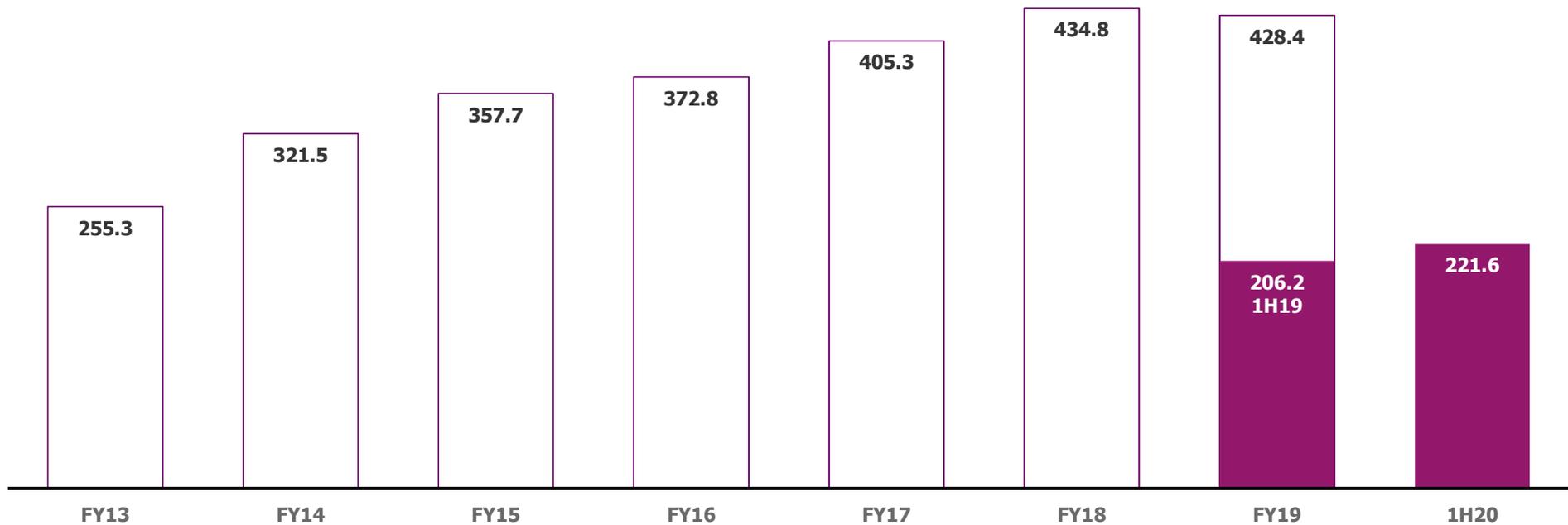
## Debt maturity profile

- > Syndicated facility of \$450m (\$362m drawn at 31 March 2020) refinancing underway ahead of maturity in April 2021
- > Recently established new \$100m facility (fully drawn) and finalising a \$100m facility to support US Mortgage Services,
- > Current drawn debt profile has an average duration of 3.5 years as at 31 March 2020

*Notes: Leverage ratio presented exclude SLS Advances <sup>1</sup> Excludes leases <sup>2</sup> Excludes interest costs on the Advance facilities*

# Management EBITDA

Excluding the impact of margin income and FX movements – “quality industrial with recurring revenues”



*Note: Management EBITDA translated at FY19 average rates and excludes margin income. 1H20 results translated to USD at 1H19 average exchange rates. 1H20 EBITDA ex MI includes IFRS16 benefit of \$23.9m*

# Conclusion

Continued focus on supporting our clients, employees and shareholders

- ✓ Underlying operating businesses remain resilient with 80% recurring revenue base
- ✓ Transactional revenues expected to decline in short term with improvement anticipated as volatility subsides
- ✓ Our strategies to build strong businesses with solid long-term growth prospects remain intact
- ✓ Focused on the safety of our team and transitioned 80% of employees to working from home arrangements enabling us to continue to provide our critical services to our clients
- ✓ Assessing opportunities to rebalance our pricing model

# Important Notice

## Summary information

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- Management results are used, along with other measures, to assess operating business performance. The company believes that exclusion of certain items permits better analysis of the Group's performance on a comparative basis and provides a better measure of underlying operating performance.
- Management adjustments are made on the same basis as in prior years.
- The non-IFRS financial information contained within this document has not been reviewed or audited in accordance with Australian Auditing Standards.
- All amounts are in United States dollars, unless otherwise stated.

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