

## MARKET ANNOUNCEMENT

<b>Date:</b>	12 February 2025
<b>To:</b>	Australian Securities Exchange
<b>Subject:</b>	<b>1H25 Results – CEO and CFO Conference call script</b>

Attached is a script of the presentations delivered by the CEO and CFO at Computershare's results conference call for the half year ended 31<sup>st</sup> December 2024 held on 12<sup>th</sup> February 2025.

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MARKET ANNOUNCEMENT

## 1H25 Results – CEO and CFO Conference Call Script

### Stuart Irving - Chief Executive Officer and President

Good morning and thank you for joining us for the Computershare first half FY25 Results Conference Call. Nick Oldfield, our CFO, is with me, along with Michael Brown from our Investor Relations team.

As usual, we have released a presentation pack on our website, and I will take you through the highlights.

Nick will take you through the financials in more detail, then we'll open the lines for Q&A.

And just to remind you, we will be talking in US Dollars and Constant Currency unless we state otherwise.

#### **SLIDE 2**

Before we jump into the results, indulge me for a few moments and I will show you our long-term track record on slide 2. Often at this time we focus on the minutia of the six-month scorecard but there is a bigger picture of what we have been building at CPU that I would like to share.

As you can see, Computershare has a consistent track record of long-term earnings growth, high margins and rising returns to shareholders. The key point here is we are building a higher performance group with higher quality earnings. As you can also see, our performance is often more driven by the execution of our own strategies rather than dictated by external macro factors. While we often get caught up with the 'will they, won't they' of interest rate moves and hot corporate action markets etc, there is a long term consistency of performance here and we have grown earnings through multiple cycles.

For over 25 years we have delivered revenue growth of 15% per annum on average, had an average margin of around 22%, delivered an average ROE of 23% and shared this performance with shareholders through increased dividends.

Now, I can tell you it has not always been plain sailing or without challenges, but we have made some clear strategic choices to build a simpler, higher quality, capital light Computershare. A group that can deliver consistent results and increased returns to shareholders. You can see that reflected in the more recent results.

#### **SLIDE 3**

The key takeouts from the first half are summarised on Slide 3.

I am pleased to say Computershare is performing well and exceeding expectations.

The results demonstrate the continued momentum in our business. Margin Income was probably more resilient than all of us anticipated, given the scale of the rate cuts since August, but with multiple earnings drivers, a strong balance sheet and a positive outlook, full year earnings guidance is upgraded.

#### **SLIDE 4 and 5**

So, moving to the actual results.

Management EPS was 65.3 cents, up 18.7%.

The 1H25 results are the first full set of results since the sale of US Mortgage Services, so they really highlight the strong performance of the core businesses.

The comparison to last year's proforma interim results, as shown on slide 5, is insightful. To be clear, the proforma does not adjust the results for 1H25. Given we sold US Mortgage Services in May 2024, we are taking this business out of the pcp for comparative purposes. We show both sets of figures, group and proforma, on slides 4 and 5.

Looking at the growth rates in this half against the proforma pcp, Management Revenue was 6.4% higher, Management EPS was over 20% higher and Management EBIT ex. MI was close to being up 28%.

While costs increased to service the increase in activity levels and growth in revenues, EBIT ex. MI margins expanded to over 15%, a rise of 230 basis points on last year.

#### **SLIDE 6**

Moving to the revenue story, on slide 6. Group Revenues were up 6.4% against the proforma pcp. We saw growth in recurring client paid fees and in our event and transaction revenues, and Margin Income was resilient.

A simple way to look at Computershare's revenues is in these three streams. Client paid revenue was up close to 5%. These client paid revenues are recurring in nature, typically in long contract engagements and they account for the majority of the Group's total revenue. Event and transaction revenues, some of which can be more market sensitive, were up over 21% and Margin Income was effectively unchanged, down less than 1% in the half.

#### **SLIDE 7**

Moving to slide 7, I will turn to the performance of the three core businesses, Issuer Services, Corporate Trust and Employee Share Plans. Each one delivered revenue growth, earnings improvement and margin expansion.

Issuer Services had a solid half. Total Revenue increased by 2.5%, and EBIT climbed by 3.6% to \$215m. Margins in our largest business lifted to 36.5%. Transactional activity in Issuer Services continued to improve, dividend re-investment transactions, sales and DWACS all increased and with prior period pricing increases we grew these revenues by 12%

Excluding Margin Income, we saw a decent uplift in EBIT ex. MI margins. They went up by 4%. Governance services continue to grow, entities under management were up 20% and we continue to scale and seek to convert that scale into more profitability down the track. Corporate actions fees per event were up over 10%, although volumes were broadly flat across the group and actually down in the US.

The pipeline of corporate action deals looks promising. Pending M&A deal count at the end of Dec 24 was up 21% vs pcp. Given the typical time to completion, we look forward to these revenues contributing in the second half and also into FY26.

From my perspective, I'm also encouraged by the number of investments in AI and digitisation in Issuer Services. These will create more opportunities to enhance the service offering to clients and deliver operating leverage as we continue to improve efficiencies and reduce our costs.

Corporate Trust delivered an improved performance, with a positive outlook for further volume growth. Recovery in new debt originations is underway. Revenues increased by 7%, EBIT improved to \$260m and margins expanded by almost 150 basis points to 53%.

If we exclude MI, we saw an uplift in margins to 14.7%. You may remember when we bought the US business, its EBIT ex. MI was marginal. We had a plan, like we had in Canada when we entered that market, to build the recurring fee base. It is encouraging to see that is beginning to come through.

Market debt issuance volumes in Corporate Trust have started to recover across major product lines. New Deal Volume averaged across all product lines increased by around 20% with further recovery to come. CCT client balances were up over 13% on the pcp and the average fee per deal also continues to rise. We are on track to deliver the full synergy benefits from this transaction, which contributed an additional \$13m in the half.

Employee Share Plans delivered another impressive result, with double digit growth in client fees and transaction revenues. Overall revenue increased by nearly 17%, EBIT was markedly higher at \$95m, that's an improvement of 39%, and margins went up here as well, at almost 41% that's a lift of over 650 basis points.

Strong equity markets are clearly supporting these high transaction volumes. The roll out of EquatePlus, our market leading technology, is now largely complete in our North American business, strengthening our market position, and creating new client opportunities.

### **SLIDE 8**

Moving to Slide 8, let's dig a little deeper on the Margin Income story for the half.

Margin Income was only down less than 1% at \$393 million compared to the proforma pcp. Improved activity levels across the Group drove a \$3.3 billion uplift in average client balances in the period. This offset the impact of several interest rate cuts which occurred as the half progressed. Rate cuts midway through the half had a partial impact on MI and we detail all the key rate changes on this page.

This MI result reminds us to take a broader view of what drives MI other than just interest rates. After a period of higher rates, a lowering rate environment typically drives higher levels of client activity. We can see that especially in Corporate Trust and Issuer Services. The increase in activity generates higher levels of client balances, which helps mitigate lower yields.

Of course, our hedging strategy also helped as expected, as older term deposits rolled over into new term deposits at higher yields.

In 2H we will see a full six-month impact of the lower rates from the first half and potential further cuts. So, we do expect MI to be lower in the second half of the year compared to the first and Nick will touch on that later.

### **SLIDE 9**

Now moving onto Slide 9 - the balance sheet items.

Computershare's balance sheet remains strong. This strength creates the flexibility to invest in growth and provide increased returns to shareholders. We will also continue to invest to ensure our high-quality businesses endure through market cycles. We talked about our commitment to building an enduring business at the AGM.

Debt leverage has halved over the past twelve months. We generated strong operating cashflow and of course received the proceeds from the sale of US Mortgage Services. This has funded our innovation agenda, recent acquisitions, rising dividends, buybacks and modest capex costs. With the expected buyback, of which around \$290m Aussie is still to go, we expect leverage at the end of the year to be around 0.5 times.

Our capex number at a group level was \$22m for the half. Remember though, we mostly expense our software development. We are committed to investing appropriately to sustain our performance and expense that directly through the P&L as Opex. With our balance sheet strength, we can also pursue acquisition opportunities across our core business lines.

We know which businesses we would like to buy, and we are very disciplined in ensuring we pay a fair price for them. This may take time. We do expect US Corporate Trust businesses to come for sale, but from a valuation perspective, this probably needs interest rates to come down a little further.

So, the question is, are we comfortable with cash accumulating on the balance sheet in the meantime? Yes, we are.

We are prepared to wait for the right assets to become available at the right price and on the right terms.

We will continue to balance growth investments with returns to shareholders. The share buyback program is expected to complete around the end of the financial year. We also announced an increase in our interim dividend to AUD 45 cents per share (unfranked), an increase of 12.5 % on the prior interim dividend.

### **SLIDE 10**

Let's move to the Outlook on page 10.

We have a confident outlook for FY25. Computershare's businesses have momentum and scope for enduring growth. With reduced complexity and the simplicity dividend we get from that, along with multiple earnings drivers, Management EPS in FY25 is now expected to be around 135 cps, an increase of 15% on last year.

Previous guidance was for Management EPS to increase by around 7.5% this year.

In 2H, we expect further growth in core fees, similar levels of event and transaction fees and lower Margin Income with the full six-month impact of 1H rate reductions and further cuts in the second half.

We have included a table in the deck outlining the changes to our key guidance assumptions. Hopefully the changes are clear.

We now expect EBIT ex. MI to be up around 30% for the year and we are upgrading Margin Income by around \$15m to \$760m for the year, compared to the 15% and \$745m we expected back in August.

Now, over to Nick for more numbers.

### **Nick Oldfield, Chief Financial Officer**

Thank you, Stuart. And good morning, everyone.

**Before I talk about our results, let me start with some comments on Margin Income, starting on Slide 11.**

In 1H25 we delivered \$393m in MI on average balances of \$30.2bn – that's a yield of 2.6%.

And in the 2H, we expect around \$367m of Margin Income – a yield of around 2.4% on unchanged average balances.

To be clear, this excludes client balances in Money Market Funds.

We assume the following rate cuts in the 2H:

- In the US, 25 bps in June
- In Canada, 25 bps in January (which has happened) and again in April
- In the UK, 25 bps in February (again, this has happened) and also in May

We now expect \$760m in Margin Income for the whole of FY25. This is based on curves as at 4 February and second half balances in line with the first half. Exit balances for December were consistent with this.

This represents an increase of \$15m in MI for the year, relative to our guidance in August. The increase is split evenly over the first and second halves and is largely driven by our expectation that balances for the year will now be \$1.7bn higher than we anticipated in August. These higher balances will deliver an incremental \$70m in MI. The mix of balances and our hedging activity adds another \$7m relative to this original outlook. This is all offset by a \$62m impact from a lower rate curve.

One final point on our MI guidance bridge. In August we guided to lower MI of 13.7 cents per share. Today, we are presenting the information in a different way. Today's slide – slide 10 of our deck – shows only 3.5 cents per share of lower MI in FY25.

A number of people have asked why the large difference.

Let me explain – the 13.7 cents per share delta in August included a \$56m impact from the sale of US Mortgage Services and a \$36m reduction across the residual Group.

In today's guidance, we have stripped US Mortgage Services out and shown its impact separately.

So the 3.5 cents per share represents the \$36m reduction anticipated in August, adjusted for the \$15m improvement in outlook from higher balances that we have announced today - so \$21m in total. This equates to 3.5 cps.

**There is more colour on balances and the hedge book in the appendix.**

We had approximately 53% of our average exposed balances hedged as at the end of 1H25. This is around \$10bn and will deliver \$1.8bn in MI over its life; \$315m in FY25 and almost \$1.3bn over the next five years.

**And then on slides 50 & 51, we include our sensitivity analysis on balances and MI.**

Slide 50 details 2H25 sensitivities. Assuming the current rate curve, every \$1bn of exposed unhedged balances translates to around \$19m impact on MI. This represents a blended recapture rate above 90% on a weighted average rate of 4.04%, in line with what we are achieving today.

And Slide 51 shows annualised MI at varying rate and balance levels. As you can see here, in a 3% rate environment, the current level and mix of balances would deliver around \$660m of MI for the Group in total. This shows how resilient and sustainable MI earnings are.

There's more detail about balances and MI on slides 44 to 49.

**I will now move on to our financial results on slide 12.**

Total Revenue for the group was down 6.9% over the pcp; ex. Margin Income, it was down 6.2%.

Remember however - these comparisons include the US Mortgage Services business in the pcp.

Adjusting for this, revenue for the group vs. proforma pcp was up 6.4% and revenue ex. MI up 9.2%. As you've heard, this revenue growth was across both recurring client fees and Event and Transaction fees, particularly in the Employee Share Plans business.

Total costs were down 8.9%; but up 6.7% vs. the proforma. I'll talk a bit more to costs later.

EBIT grew to \$563.9m, up 3.3% on the pcp and 6.5% on the proforma pcp, again largely due to the revenue growth in client fees and Events and Transaction income.

Excluding MI, EBIT was up 48.6% on the pcp and up 27.9% on the proforma pcp. The EBIT ex. MI margin improved 230 bps on the proforma pcp, from 13.2% to 15.5%.

Interest expense was down 31% on the pcp, 20.6% on the proforma pcp, to \$58.8m, reflecting lower levels of debt. The average cost of debt was just over 7% - all our debt remains at floating rates and this has acted as a natural hedge to lower Margin Income as rates have fallen during the half.

Tax expense was lower - down by 6.4% and 5.4% on the pcp and proforma pcp respectively. Importantly, the ETR was lower by some 410 bps at 24%.

This reflects a more favourable US State Income Tax profile following the sale of US Mortgage Services, both in terms of the actual rate for the period as well as a revaluation of our US deferred tax assets due to this changed profile.

Going forward, I expect the Group Management ETR to settle down at around 25%.

Management NPAT was up 16% to \$383.6m, 17.2% better than the proforma pcp. Management EPS was also up by the same rate to 64.9cps. Adjusting for the 1H25 buyback it was a little higher at 65.3 cps.

Statutory results are on slides 27 and 28. Statutory NPAT was \$287.8m, up 174%. This was largely attributable to the impairment related to the US Mortgage Services business in 1H24.

Statutory earnings also benefitted from lower management adjustments in respect of integration expenses and restructuring programmes in 1H25, which were lower by \$21.6m, to \$46.8m collectively. I expect management adjustments to be relatively flat through the second half but then reduce again in FY26 as some of our programmes come to an end.

The gap between management and statutory earnings should close materially over the next couple of years.

Otherwise, statutory earnings were impacted \$36m by the amortisation of acquisition related intangible assets and a further \$15.7m from an accounting modification of a margin income hedge.

This latter point relates to a transaction where we blended a number of low yielding hedges into a higher yielding, longer duration hedge. It made sound commercial sense to do this.

However, accounting standards required us to recognise a non-cash loss for the first half of the overall period of the new hedge arrangement, which will then reverse into a non-cash gain in the second half of the arrangement. This is an accounting technicality on how to treat modified hedge portfolios.

The 2H FY25 charge will be around \$6m, with further charges of approximately \$12m in both FY26 and FY27. From FY28, the charge will reverse, with non-cash gains being booked through to FY32. We intend to book both the non-cash gains and non-cash losses below the line and the net effect of both the gains and losses over time will be zero.

### **Slide 13 bridges the 18.7% improvement in EPS from 1H24 to 1H25.**

The sale of US MS cost us 0.6 cps in earnings and lower Margin Income had a 0.5 cps impact. However, client fees and event and transactional revenue, net of the higher costs of running the enlarged business, were up 6.3 cps.

Lower interest and tax expenses benefitted us by 3.7 cps whilst the combined accretion impact was 1.5 cps, 1.1 cps on FY24 share purchases and 0.4 cps on 1H25 share purchases.

Taking all this into account, Management EPS was 65.3 cents for the half, 10.3 cents up on the pcp.

### **I'll now unwrap costs on slide 14.**

Proforma opex – that's ex-US Mortgage Services - is up 4.6%. This is the balance of the benefits from our cost out programs of \$32.1m, offset by BAU cost growth of \$37.3m and investments of \$27.2m.

The BAU cost growth was a combination of general inflation and costs to support higher volumes across the business. Investment of \$27.2m included approximately \$8m in costs from an incremental 5 months of ownership of Solium UK. The remainder was investment in both technology and people largely in the Corporate Trust business to support growth and the transition from Wells Fargo.

On the cost out side, we delivered around \$13m in operating synergies from the Wells Fargo Corporate Trust acquisition, whilst our Stage 5 cost-out programme delivered \$15m in savings across the business lines and corporate overheads.

The remainder was from the Employee Share Plans and UK Mortgage Services cost out programmes – both these projects will complete in the 2H.

Stranded costs arising from the disposals of the US Mortgage Services business were around \$20m in the half. You can see these costs in the Technology Services & Operations segment P&L on slide 34. Total stranded costs are around \$40m and we expect to see this cost eliminated over the next 18 months.

Slide 42 provides an update on our cost out programs.

**Slide 15 then shows how we expect the 2H to unfold.**

Earnings from operations excluding MI should be around 10 cents per share higher than the 1H. That reflects the usual 2H seasonality and employee share plan vesting periods, as well as a continuation of the 1H momentum and benefits from cost out.

Margin Income will be lower, reflecting a full half at lower rates which will, in turn, benefit interest expense. Tax expense will be a bit higher due to some 2H Canadian Withholding Tax expenses.

And finally the accretion benefit from 1H purchases will be around 0.5 cps, with Management EPS for the half being around 70 cps in total. This is around 10% higher than the pcp.

I'll now hand back to Stuart.

### Stuart Irving, Chief Executive Officer and President

So let me conclude.

We are pleased with these results and to provide a guidance upgrade, but I do not see these as peak earnings, some parts of the business are yet to fully fire.

In the second half we see momentum across our business lines, stronger Corporate Action pipelines, continued recovery in debt issuance, the benefit of new client wins, and we are working on removing the rest of the stranded costs that Nick spoke about. We assume 1H equity markets conditions prevail, and interest rates continue to come down.

We can grow earnings in a falling rate environment.

The results also validate the strategies we have been executing to strengthen our business and build a high-quality capital light Computershare with increased returns. I would say the quality of our earnings is much better than it was a year ago, two years ago and on average over the past ten years.

Going forward we will continue to build a higher-quality Computershare that endures. A business that can perform and deliver superior returns across multiple economic cycles. A business built on trust, technology, longstanding client relationships and execution capability.

Thank you to all the Computershare team for your contribution, and to our customers and shareholders for your trust and support. Let's now open the line for questions.