

26 June 2017

ASX ANNOUNCEMENT

ASX Market Announcements Office **ASX Limited** 20 Bridge Street SYDNEY NSW 2000

LINK GROUP TO ACQUIRE CAPITA ASSET SERVICES SUPPORTED BY CAPITAL RAISING

- Link Administration Holdings (ASX Code: LNK) ("Link Group") has entered into a binding agreement to acquire Capita Asset Services ("CAS") from Capita plc ("Capita") for £888 million (~A\$1,493 million¹) ("Acquisition")
- CAS is an established platform of scale providing a broad range of financial and administrative services in the UK & Europe
- The CAS acquisition is a significant opportunity for Link Group:
 - Strong strategic fit, aligned with Link Group's growth strategy
 - Extension and diversification of Link Group's business profile and geographic exposure 0
 - Provides immediate scale in the UK and a growth platform for Europe, with a number of opportunities already being explored for further growth in the region
 - Significant opportunity for Link Group to drive growth and further efficiencies post-acquisition
 - Defensive financial profile and attractive acquisition economics
- Attractive financial metrics:
 - Strong positive EPS accretion on a pro forma FY17 basis before the impact of efficiency benefits²
 - Mid teens EPS accretion prior to the adjustment to reflect the bonus factor element of the Entitlement Offer
 - Over 20% EPS accretion post adjustment to reflect the bonus factor element of the **Entitlement Offer**
 - Expected efficiency benefits of at least £15 million per annum to be fully delivered over the medium term³
 - Implied acquisition multiple of 12.4x EV/EBITDA for the 12 months ending 31 December 2016 multiple reduces to approximately 10.3x incorporating full run-rate of efficiency benefits
- The acquisition will be funded via:
 - A fully underwritten A\$883 million, 4 for 11 pro rata accelerated renounceable entitlement offer with retail rights trading
 - Cash and available debt facilities including a new £485 million acquisition debt facility

FX rate of 1 AUD = 0.5948 GBP used to convert all GBP metrics in this Announcement.

Accretion based on the midpoint of Link Group's management Operating NPATA guidance for 12 months ending 30 June 2017 of A\$121.5 million (see slides 38 and 60 of the Investor Presentation lodged with the ASX on the date of this release) and pro forma CAS Operating NPAT for 12 months ending 31 December 2016 of A\$87 million, including the impact of interest on debt raised to finance the Acquisition. Efficiencies are included on a run-rate basis and do not include costs to achieve One-off costs to achieve efficiencies are estimated to be approximately £23 million.

Acquisition of Capita Asset Services

Link Group has entered into a binding agreement to acquire CAS for £888 million (~A\$1,493 million). The Acquisition is subject to mandatory regulatory approvals and is expected to complete by 31 December 2017.

CAS is an established platform of scale providing a broad range of financial and administrative services in the UK & Europe, operating across four business segments:

- Fund Solutions: third-party administration and transfer agency services to asset managers and a variety of investment funds;
- Shareholder Solutions: share registration, share plans services and treasury solutions to corporate clients:
- Corporate & Private Client Solutions: trustee, administration, domiciliation and governance services to corporates and investors; and
- Banking & Debt Solutions: loan processing, administration and work-out services to lenders and investors.

In the 12 months to 31 December 2016, CAS generated revenue and Operating EBITDA of £316 million (~A\$532 million) and £72 million (~A\$121 million), respectively⁴.

Transaction funding

The Acquisition will be partially funded via a fully underwritten A\$883 million, 4 for 11 pro rata accelerated renounceable entitlement offer with retail rights trading ("Entitlement Offer").

The balance of the Acquisition will be funded through a combination of existing cash and available debt facilities, including a new £485 million acquisition debt facility.

Link Group remains committed to maintaining a prudent balance sheet, with pro forma net debt to EBITDA ratio of approximately 2.8x following the Acquisition⁵. Given the high cash-flow generation of the combined group, Link Group considers this initial leverage target to be the right balance.

Acquisition strategic rationale

The acquisition is a significant opportunity for Link Group:

- Strong strategic fit, aligned with company's growth strategy. CAS provides products and services and operates in end-markets which are well understood by Link Group. The acquisition of CAS is aligned with Link Group's strategy to grow through further penetration of attractive markets and expand its product and regional capabilities.
- Extension and diversification of Link Group's business profile and geographic exposure. The acquisition significantly enhances Link Group's core capabilities in funds administration, shareholder services and corporate services in attractive markets, and provides a new complementary capability in debt servicing which Link Group believes can be leveraged into other geographies (including the Australian market) in the future. In addition, the acquisition will further diversify Link Group's revenue and earnings base from a geographic perspective, with revenue from Australia and New Zealand reducing from ~ 93% to ~ 55% on a pro forma basis⁶.
- Provides immediate scale in the UK and a growth platform for Europe. The Acquisition provides the Company with established market positions in multiple sectors in the UK and an established footprint in Europe for further growth. CAS administers and safeguards

See slide 60 of the Investor Presentation lodged with ASX on the date of this release under 'Glossary'. See slide 36 of the Investor Presentation lodged with ASX on the date of this release under 'Pro forma balance sheet' See slide 60 of the Investor Presentation lodged with ASX on the date of this release under 'Glossary'.

approximately £600 billion of assets⁷ and in 2016 managed approximately £45 billion in annual payments for its customers⁸. Link Group will leverage CAS' strong market positions and client relationships to drive further growth in existing markets and ultimately further expansion across Europe. There will also be scope for the introduction of some of Link Group's existing core products and services into the European market over time, with a number of opportunities already being explored.

- Significant opportunity to drive growth and further efficiencies in CAS under Link Group stewardship. Link Group has identified many opportunities from the inclusion of CAS within the Link Group. CAS is likely to benefit from greater focus from Link Group management after a period as part of a broader conglomerate. Link Group is targeting efficiency benefits of at least £15 million per annum to be fully realised over the medium term, through increased investment in systems to enhance automation and streamline processes, rationalisation and consolidation of CAS' premises and improved utilisation of labour in more cost-effective markets.
- **Defensive financial profile and attractive acquisition economics**. The CAS business is highly attractive due to defensive revenues (greater than 50% contractually recurring in nature, although a higher proportion is captive), strong margins and high cashflow conversion, making the business highly complementary to Link Group's existing profile. The acquisition is also expected to be strongly EPS accretive on a pro forma FY17 basis before the impact of efficiency benefits⁹.

John McMurtrie, Link Group Managing Director, said:

"CAS is a business with strong market positions across its operating units, underpinned by longstanding customer relationships and an experienced management team. The business is highly complementary to Link Group and represents an attractive platform for our company's further expansion into the UK and European markets. Whilst Link Group has been a market leader in Australia for a number of years and has had a presence in Europe, with the acquisition of CAS, we can say that Link Group is now a truly international company with expanded opportunities for further growth.

We are excited by the opportunities for the expanded Link Group and the employees of CAS. Our management team has undertaken a significant amount of due diligence on CAS, built a strong business case and established a robust integration plan. Under Link Group's stewardship, and alongside the CAS management team, we believe that CAS can go from strength to strength and further capitalise on its already strong market positions.

Whilst we welcome CAS clients to Link Group, we remain fully committed to our existing businesses and client base."

Michael Carapiet, Link Group Chairman, said:

"We are confident that this transaction will have a strong positive impact on Link Group. Our management team has spent a significant amount of time assessing growth opportunities for Link Group in offshore markets and this acquisition materially expands Link Group's footprint in the UK and Europe in business lines we understand well. On behalf of the Board, we are very pleased to welcome the CAS team to Link Group."

Trading update

Given proximity to Link Group's financial year end, the Company is also pleased to provide a trading update and guidance for the results for the 2017 financial year.

In summary, the Company expects another strong trading result for FY2017, with forecast Operating EBITDA of A\$217 – 219 million and Operating NPATA of A\$120 – 123 million.

8 CAS management information

⁷ CAS management information.

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The Superpartners integration is progressing well, with FY17 Group Operating EBITDA margin forecast to be ~ 28%. Excluding the impact of the acquisition, Link Group remains on target to return Group margins to 34% by 2020. The Company has calculated the value of the remaining efficiencies from the Superpartners integration to be ~\$45 million. With the substantial change in the business mix following the expected consummation of CAS in FY18, going forward the company will be assessing the success of the Superpartners integration against the value of these targeted efficiencies.

Following the recent PEXA and Adviser Network transactions, net debt is forecast to be approximately A\$300 million prior to the impact of the Acquisition. The FY2017 final dividend is expected to bring the total dividend for the year to the upper end of the 40 – 60% of NPATA guidance. Dividend franking is expected to recommence through the course of FY2018.

Further details regarding Link Group's trading and business update are located on page 38 of the *Acquisition of Capita Asset Services and equity raising* Investor Presentation also lodged with ASX on 26 June 2017.

Entitlement Offer

Link Group intends to raise approximately A\$883 million in new equity via a fully underwritten 4 for 11 pro rata accelerated renounceable entitlement offer with retail rights trading at an offer price of A\$6.75 per New Share (as defined below).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 4 new Link Group shares ("**New Shares**") for every 11 existing Link Group shares held as at 7.00pm Thursday, 29 June 2017 ("**Record Date**"). All New Shares in the Entitlement Offer will be issued at a price of A\$6.75 per New Share, which represents a discount of:

- 13.8% to the last close of A\$7.83 on Friday, 23 June 2017; and
- 10.5% to the theoretical ex-rights price ("TERP")¹⁰.

The Entitlement Offer will consist of:

- an accelerated institutional component to be conducted from Monday, 26 June 2017 to Tuesday,
 27 June 2017 ("Institutional Entitlement Offer"), and
- a retail component which will open on Wednesday, 5 July 2017 and close at 5.00pm (AEST) on Monday, 17 July 2017 ("Retail Entitlement Offer").

Each New Share will rank equally with existing shares on issue, including eligibility for the FY2017 final dividend. Link Group will seek quotation of the New Shares on ASX.

As the Equity Raising is expected to complete in July 2017, Link Group's shares outstanding will initially increase without a corresponding increase in earnings until the Acquisition is completed (expected to be by December 2017). Notwithstanding that it will result in a temporary increase in Link Group's dividend payout ratio, Link Group intends to maintain a dividend payout ratio toward the upper end of its 40-60% NPATA guidance, which will apply equally to existing shares and New Shares issued pursuant to the Entitlement Offer, subject to the Company's financial position and prevailing market conditions.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which opens on Monday, 26 June 2017 and will close on Tuesday, 27 June 2017.

TERP is the theoretical price at which Link Group shares should trade after the ex-date for the Entitlement Offer based on the last traded price and issuance of shares at the offer price in the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Link Group shares trade immediately following the exdate for the Entitlement Offer may be different from TERP.

Eligible institutional shareholders can choose to take up their Entitlement in whole, in part or not at all. Institutional entitlements ("Institutional Entitlements") cannot be traded or sold on the ASX. As the Entitlement Offer is renounceable, the New Shares that would have been issued in respect of Institutional Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer and the Institutional Entitlements of ineligible institutional shareholders (had such eligible institutional shareholders taken up their Institutional Entitlements and had such ineligible institutional shareholders been eligible and taken up their Institutional Entitlements) ("Institutional Shortfall Shares"), together with the right to subscribe for those Institutional Shortfall Shares, will be offered through an institutional shortfall bookbuild expected to be conducted on Wednesday, 28 June 2017 ("Institutional Shortfall Bookbuild"). Any premium over the A\$6.75 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild will be remitted proportionally to those institutional shareholders There is no guarantee that there will be any such premium remitted to those institutional shareholders as a result of the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild.

Link Group shares have been placed in a trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 5 July 2017 and close at 5.00pm (AEST) on Monday, 17 July 2017. Eligible retail shareholders will have the opportunity to participate at the same offer price and offer ratio as the Institutional Entitlement Offer.

Eligible retail shareholders will be allotted Entitlements ("Retail Entitlements") which can be traded on the ASX. If eligible retail shareholders do not wish to take up all or part of their Retail Entitlements they can seek to sell all or part of their Retail Entitlements on the ASX or realise value for those Retail Entitlements by transferring them directly to another person ahead of the retail shortfall bookbuild (referred to below). Retail Entitlements can be traded on the ASX by certain eligible shareholders from Thursday, 29 June 2017 to Monday, 10 July 2017.

The New Shares that would have been issued in respect of Retail Entitlements not taken up by eligible retail shareholders (or purchasers of retail entitlements) by the close of the Retail Entitlement Offer and the Entitlements of ineligible retail shareholders (had such eligible retail shareholders (or purchasers) taken up their Entitlements, and had such ineligible retail shareholders been eligible and taken up their Entitlements) ("Retail Shortfall Shares") together with the right to subscribe for the Retail Shortfall Shares, will be offered through a retail shortfall bookbuild to be conducted on Thursday, 20 July 2017 ("Retail Shortfall Bookbuild"). Any premium over the A\$6.75 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders. There is no guarantee that there will be any such premium remitted to those retail shareholders as a result of the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild. Entitlements may only be exercised by eligible retail shareholders or eligible assignees, being persons who have a registered address in Australia or New Zealand, and certain categories of institutional investors in other jurisdictions.

Key dates

Event	Date
Trading halt	Monday, 26 June
Announcement of Acquisition and Institutional Entitlement Offer opens	
Institutional Entitlement Offer closes	Tuesday, 27 June
Institutional Shortfall Bookbuild	Wednesday, 28 June
Trading halt lifted – shares recommence trading on the ASX on an "entitlement" basis	Thursday, 29 June
Retail Entitlements commence trading on the ASX on a deferred settlement basis	Thursday, 29 June
Record Date for determining entitlement to subscribe for New Shares	Thursday, 29 June
Retail Entitlement Offer opens	Wednesday, 5 July
Retail Offer Booklet despatched and Retail Entitlements allotted	Wednesday, 5 July
Retail Entitlements commence trading on the ASX on a normal settlement basis	Thursday, 6 July
Settlement of Institutional Entitlement Offer	Thursday, 6 July
Allotment and normal trading of New Shares under the Institutional Entitlement Offer	Friday, 7 July
Retail Entitlement trading on the ASX ends	Monday, 10 July
Retail Entitlement Offer closes	Monday, 17 July
Retail Shortfall Bookbuild	Thursday, 20 July
Settlement of Retail Entitlement Offer	Tuesday, 25 July
Allotment of New Shares under the Retail Entitlement Offer	Wednesday, 26 July
Normal trading of New Shares issued under the Retail Entitlement Offer	Thursday, 27 July
Despatch of holding statement in respect of New Shares issued under the Retail Entitlement Offer	Friday, 28 July

Note: The above timetable is indicative only and subject to change without notice. All dates are Australian Eastern Standard Time.

Further information

Further details of the Acquisition and the Equity Raising are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

J.P. Morgan Australia Limited is acting as financial adviser to Link Group and Sole Global Co-Ordinator, joint lead manager, joint bookrunner and joint underwriter to the Equity Raising. Citigroup Global Markets Australia Pty Limited is acting as joint lead manager, joint bookrunner and joint underwriter. DLA Piper and Allen & Overy are serving as legal advisers to Link Group.

If you have any questions in relation to the Equity Raising, please contact the Link Group Offer Information Line on 1300 934 599 (within Australia) or +61 1300 934 599 (outside of Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the Acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Link Group and cannot be predicted by Link Group and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Link Group operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of Link Group or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

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