



**Promises of a rosier future – time will tell!**

<b>Company/ASX Code</b>	Link Group (LNK)
<b>AGM date</b>	Tuesday 23 November 2021
<b>Time and location</b>	11:30 AM Grand Ballroom, Four Seasons Hotel, Sydney or online <a href="https://agmlive.link/LNKAGM21">https://agmlive.link/LNKAGM21</a> . I
<b>Registry</b>	Link Market Services
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Allan Goldin assisted by Peter Gregory
<b>Pre AGM Meeting?</b>	Michael Carapiet Chair, Dr. Sally Pitkin Chair of Human Resources and Remuneration Committee, Fiona Trafford- Walker Chair of Audit Committee and Craig Curry General Manager Corporate Finance

Please note any potential conflict as follows: The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

**Summary of issues for meeting**

AGM Time for another takeover offer

	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

Hallelujah finally a Hybrid meeting so there can actually be interaction between shareholders and the Board.

You know it is AGM time because Link has received another non binding, indicative, conditional takeover offer. As it has just been announced we are not commenting on it. But unlike the last two offers maybe this one is the real deal.

Unquestionably LINK Group has been a serial underperformer over many years that has disappointed shareholders.. Under the newly appointed CEO LINK has adopted a strategy framework of Simplify, Deliver, Grow. Still very early days but it appears that the focus and discipline demanded through this framework will be positive. Evidence to date includes a restructured the leadership team with clearer business accountability; a restated acquisition approach away from seemingly unrelated opportunities to grow or strengthen their position synergistically with LINK core businesses; and FY26 ambition statements for each of the four business units supported by strategies to get there. [While over two hours, LINK's Investor Day gives a valuable insight into the company's direction.](#)

The Group Operating EBIT margin was 12%, which won't change much this year as LINK is committed to reinvestment to strengthen capabilities and position it for the future. It is expected to increase in 2023 and by 2026 be in the high teens.

There were promising signs in all the divisions with the exception of Banking & Credit Management (BCM), which suffered a \$182.8m impairment this year mainly in goodwill. The question must be asked is this a business that is worth the effort that is put into it. Notably, management project EBITDA CAGR for BCM of 36% through to FY26 – given its track record a very ambitious target!

Recurring revenue accounted for 85% of LINK turnover. A double-edged sword as retention demands excellent delivery, and recovery of any lost business is extremely difficult.

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)*	-162.7	-102.5	324.1	139.8	85.2
Share price (\$)	5.04	4.1	5	7.33	7.9
Dividend (cents)	10	19	20.5	20.5	14
TSR (%)	25.4	-16	-29	-5	-2
EPS (cents)*	-30.75	-19.67	60.71	27.86	22.59
CEO total remuneration, actual (\$m)	1.13**	1.56	1.035	1.825	1.74

\*During FY21 Link was made aware of a material restatement by Pexa of its financial statements for FY20 and F19 due to a recognition of a deferred tax asset, which has resulted in figures being restated.

\*\*Two CEO's during the year

For 2021, the theoretical CEO's total actual remuneration was 12.1 **times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

<b>Resolution 1</b>	<b>Re-election of Glen Boreham as a Director</b>
<b>ASA Vote</b>	<b>For</b>

The Board appointed Mr Boreham as an independent Non-Executive Director of the Company on 23 September 2015. Previously, he was the Managing Director of IBM Australia and New Zealand. He has also previously served as Chair of Screen Australia, Advance and the Industry Advisory Board for the University of Technology, Sydney, as well as Deputy Chair of the Australian Information Industry Association and a Director of the Australian Chamber Orchestra.

Glen Boreham is a Director of Cochlear Limited and Southern Cross Media Group Limited and Strategic Advisor to IXUP Limited

The Board considers that Mr Boreham's significant experience in business, technology companies and as a non-executive director brings significant benefit to Board and Committee discussions.

Mr. Glenn Boreham is aligned with shareholder interests holding 124,214 shares and ASA will be voting its undirected proxies in his favour.

<b>Resolution 2</b>	<b>Re-election of Andrew Green as a Director</b>
<b>ASA Vote</b>	<b>For</b>

The Board appointed Andrew (Andy) Green as an independent Non-Executive Director of the Company on 9 March 2018. Mr Green's earlier career at BT Group (formerly British Telecom) spanned more than 20 years, including as CEO of Global Services. He also previously served as Group Chief Executive of IT and management consultancy company Logica plc

He is a Commissioner at the UK's National Infrastructure Commission, Chair of WaterAid UK, Vice Chair of The Disasters Emergency Committee and a trustee of WWF UK's Chair of IG Group Holdings plc, and as Senior Independent Director at ARM Holdings plc.

Mr Green is Chair of Simon Midco Ltd, the holding company of Lowell Group, Chair of Gentrack Group Ltd and Senior Independent Director of Airtel Africa plc. The Board believes that Mr Green's United Kingdom experience with technology and non-technology companies as well as experience as a non-executive director brings significant benefit to Board and Committee discussions.

Mr. Andrew Green holds 26,030 shares in the Company, but as they were bought at a higher price his amount of shareholding is aligned with shareholders. ASA will be voting their undirected proxies in favour of this resolution

<b>Resolution 3</b>	<b>Re-election of Fiona Trafford-Walker as a Director</b>
<b>ASA Vote</b>	<b>For</b>

The Board appointed Ms Fiona Trafford-Walker as an independent Non-Executive Director of the Company on 23 September 2015. Ms Trafford-Walker was at Frontier advisors for 18 years in many roles including Managing Director. She has over 28 years of experience in advising institutional investors on investment and governance-related issues

Ms Trafford-Walker is a Director of Perpetual Limited, Eclipx Group Limited, Prospa Group Ltd

The Board believes that Ms Trafford-Walker's substantial experience within the superannuation and investment industry as well as experience as a non-executive director brings significant benefit to Board and Committee discussions.

Ms. Fiona Trafford-Walker holds 32,128 shares in the Company, but as they were bought at a higher price her amount of shareholding is aligned with shareholders. ASA will be voting their undirected proxies in favour of this resolution.

<b>Resolution 4</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>Against</b>

Link Group has followed a good Remuneration structure and in the past there has been good alignment with shareholders.

To start to receive STI the Group had to achieve gateway Operating NPATA in excess of \$78.1m. As they achieved \$113.2m this was a significant factor in awarding above target STI. However as this result was down 17.5% on the restated 2020 and 42.5% down on the restated 2019 result it must be questioned if this was a low gateway.

Even more problematic is the awarding of the following retention bonuses. Many Companies are concerned that in the absence of awarding performance bonuses over the last two years they are in danger are finding their senior executives being poached. However trying to remedy that by offering retention golden handcuffs is both a temporary measure and the potential beginning of a dangerous trend, because what do you do the next year extends the handcuffs.

Andrew MacLachlan Chief Financial Officer – YoY Group result EBIT (21%) YET received STI 128% of Target PLUS **Retention Bonus 99,000 shares**

Chris Addenbrooke CEO Fund Solutions – YoY Division result EBIT (22.7% ) YET received STI 113% of Target PLUS **Retention Bonus \$230,000**

Paul Gardiner CEO Corporate Markets – YoY Division result EBIT (24.6%) YET STI 100% of Target PLUS **Retention Bonus \$310,000**

Dee McGrath CEO Retirement & Superannuation – YoY Division result EBIT (.2%) YET Bonus STI 120% of Target PLUS **Retention Bonus \$330,000**

LTI – 75% awarded on 3 year compound annual growth of EPS based on the Operation NPATA . This means that the starting point is much lower than in the past at 21.3 cents which can be argued is low base, but at the end of the day it is what it is.

More details are found in Appendix 1

Although we are questioning the seemingly low gateway the tipping point for ASA to vote their undirected proxies' against this resolution was the retention bonuses.

<b>Resolution 5</b>	<b>Approval of Managing Director Participation in the Link Group Omnibus Equity Plan</b>
<b>ASA Vote</b>	<b>For</b>

This is for the awarding of 469,368 performance share rights based on 150% of Mr. Bhatia's \$1.4m Fixed Annual Remuneration divided by the actual share price at the time of awarding.

For this to vest into no cost shares the Company would have to achieve the hurdle set out in Appendix 1 for EPS and a comparative TSR. The shares are actually credited to Mr. Bhatia over 3, 4 and 5 years.

As we said the EPS is starting from a low base, but that is just what it is, so we will be voting undirected proxies in favour of this resolution

<b>Resolution 7</b>	<b>Renewal of proportional takeover provisions in Constitution</b>
<b>ASA Vote</b>	<b>For</b>

These proposals are normally non-controversial where a company renews its constitutional provisions which don't allow a predator to only bid for a proportion of a shareholders' interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder.

## Appendix 1

### Remuneration framework detail

There is a gateway of Operating NPATA that must be achieved before STI is awarded.

Target STI range from 75% to 100% of Fixed Annual Remuneration (FAR). However this can jump to 150% of FAR if the same gateway Operating NPATA is 10% higher.

50% of STI is awarded in cash, 25% in Equity deliverable after one year and the final 25% after the second year

STI is measured against a balanced scorecard. For the CEO it is 55% financial and 45% non- financial. For executive KMP it is 60/40

LTI is measured over 3 years. The 75% hurdle Combined Earnings Per Share (EPS) based on the Group Operating NPATA. Vesting commenced when the compound annual growth rate is 5% with the maximum vesting if it is 10% compound annual growth

The 25% hurdle commences if over three years the groups TSR compared to 58 of the ASX 100 is at 50% and maxes at 70%

50% of actual vesting occurs after 3 years and then 25% after each of 4 and 5 years.

Executive KMP required to hold one year's FAR in Equity within 5 years.

Directors one year's base pay held as Equity within 3 years of service.

CEO rem. Framework for FY22	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.40	28.6	1.40	25.00
STI - Cash	0.70	14.3	1.05	18.75
STI - Equity	0.70	14.3	1.05	18.75
LTI	2.10	42.8	2.10	37.50
Total	4.90	100%	5.60	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

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