

24 August 2018

Steadfast Group Limited FY18 results Investor presentation

Presenters:

Robert Kelly

- Managing Director & CEO

Stephen Humphrys

- Chief Financial Officer



FY18 investor presentation

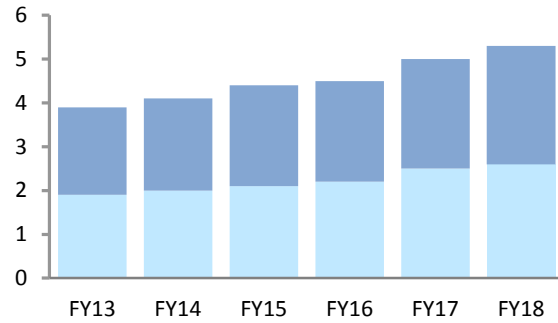
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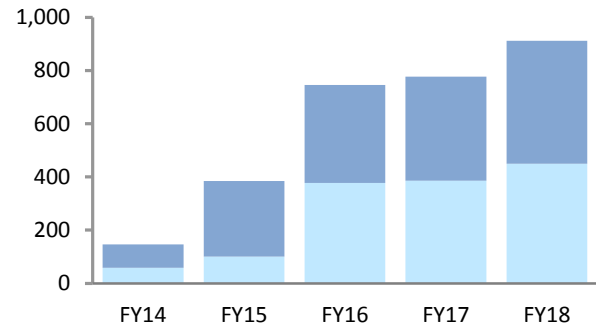
Steadfast Group

Our track record - five years listed on the ASX

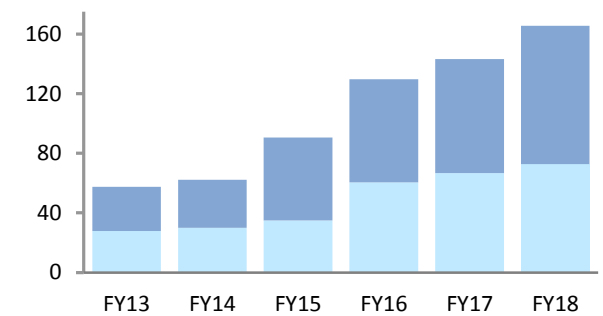
Steadfast Network GWP (\$bn)



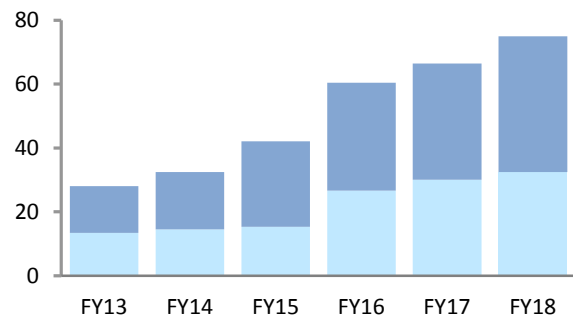
Steadfast Underwriting Agencies GWP (\$m)



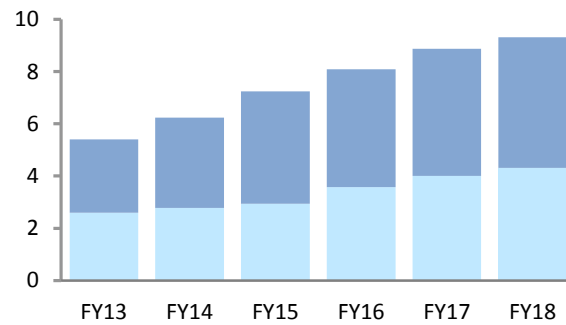
Underlying EBITA (\$m)



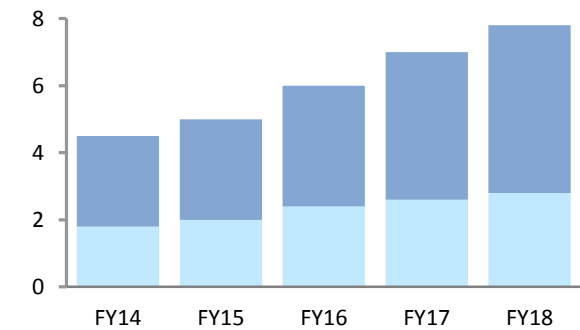
Underlying NPAT (\$m)



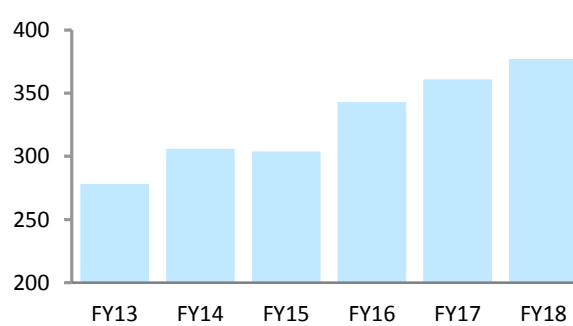
Underlying EPS (NPAT) (cents per share)



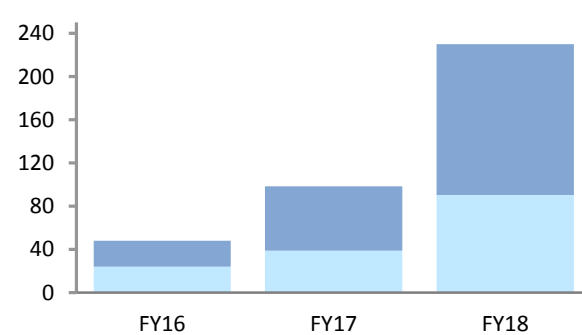
DPS (cents per share)



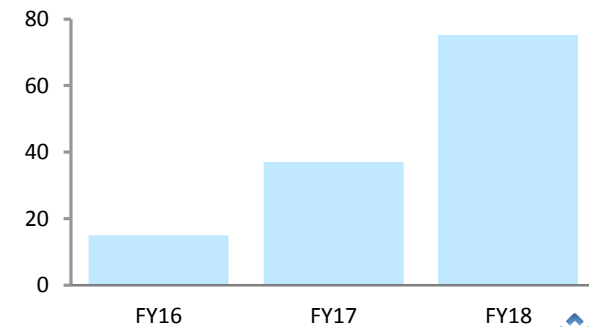
Steadfast Network brokers



Steadfast Client Trading Platform GWP (\$m)



Brokers on INSIGHT



1H 2H

Financial highlights

Strong FY18 performance in-line with upgraded guidance

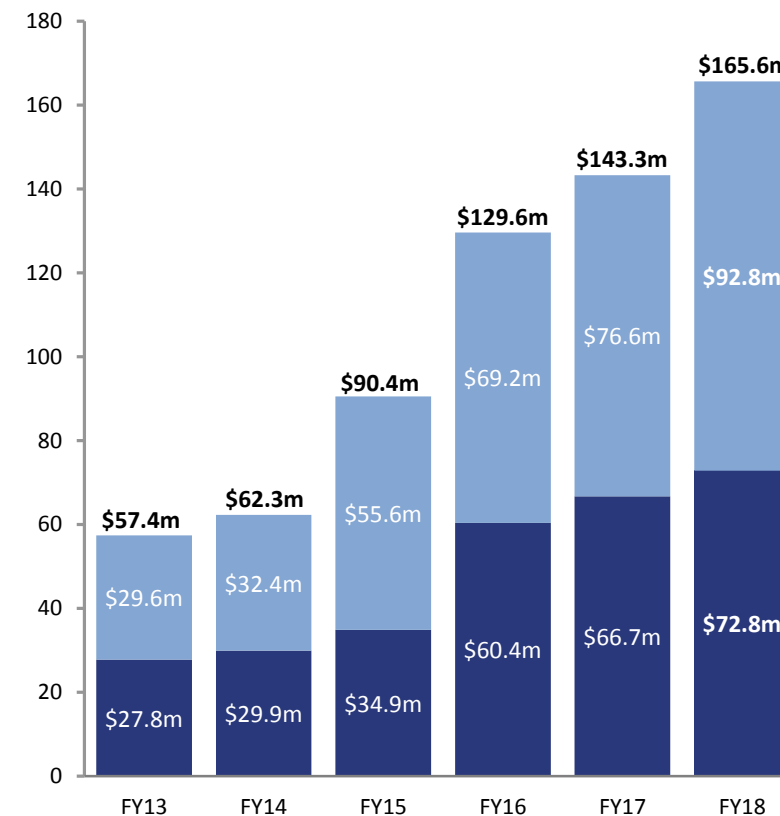
FY18 underlying earnings¹

- EBITA **+15.5%** to **\$165.6** million
- NPAT **+12.9%** to **\$75.0** million
- NPATA² **+11.6%** to **\$97.3** million
- EPS (NPAT) **+9.5%** to **9.71** cents per share
- Final dividend **+6.8%** to **4.7** cents per share
- Total dividend **+7.1%** to **7.5** cents per share
- EBITA margins (aggregated):
 - Equity brokers: **30.5%** (FY17: 30.3%)
 - Underwriting agencies: **44.9%** (FY17: 42.5%)

FY18 statutory earnings

- Statutory NPAT **+13.6%** to **\$75.9** million

Underlying EBITA (\$m)



¹ For statutory reconciliation refer to slides 44 and 45 of the FY18 analyst pack.

² Calculated on a consistent basis since IPO.

Operational highlights

Record premium for Steadfast Network and Underwriting Agencies

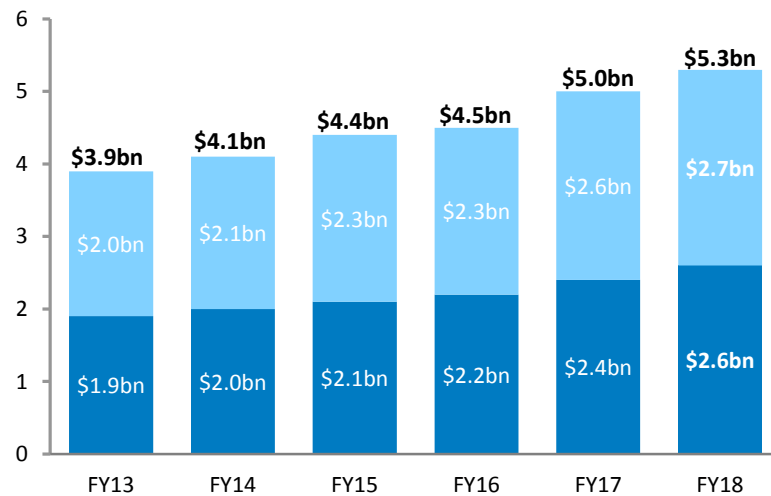
Steadfast Network

- **\$5.3 billion** GWP, **+6%**
 - Driven by price and volume increases and new brokers joining the Network
- **377** brokers in the Network
 - **16** new brokers joined in FY18
- **5%** organic growth in FY18 compared to pcp
 - Driven by business pack, ISR, professional risks and motor lines with liability subdued

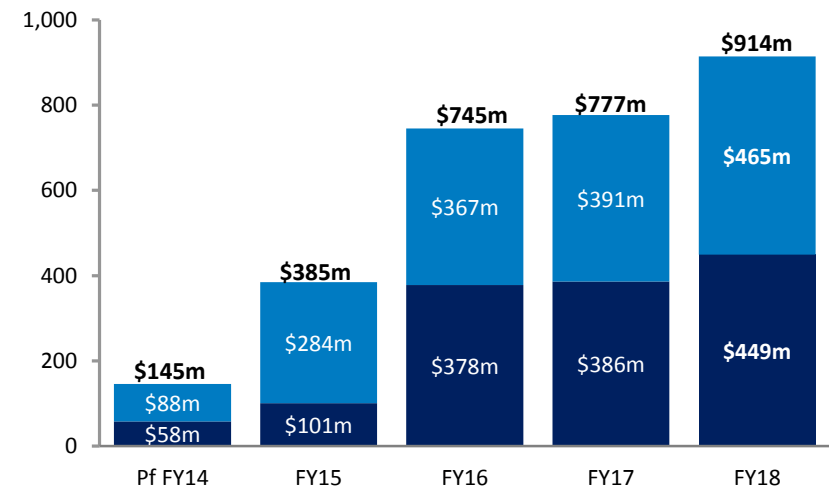
Steadfast Underwriting Agencies

- **\$914 million** GWP, **+18%**
 - Driven by price and volume increases and acquisition growth
- Insurers moving premium prices towards technical levels
- London 'super' binder live on Steadfast Client Trading Platform (SCTP)
 - Strong start, winning market share

Steadfast Network GWP (\$bn)



Steadfast Underwriting Agencies GWP (\$m)



Key initiatives progress

Delivering on long term strategic initiatives

Technology

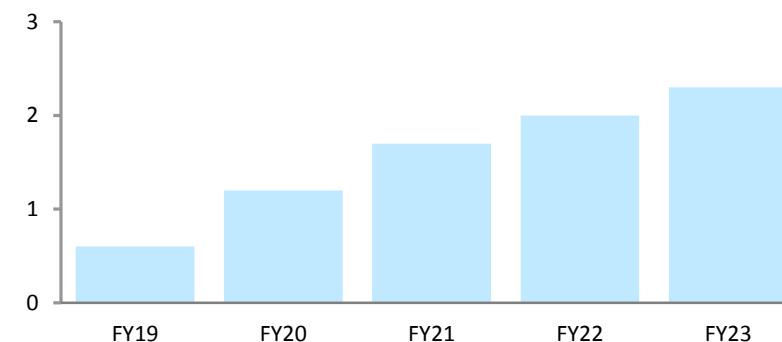
Steadfast Client Trading Platform (SCTP)

- 6 business lines and 14 insurer and underwriting agency partners live on SCTP
 - Including Steadfast Direct (retail home, motor and landlords cover)
- Upcoming activity:
 - CGU committed to join business pack shortly
 - Chubb joins business pack in early 2019
 - Berkley joins liability in Q3 19
 - Allianz joins business pack, commercial property, commercial motor in FY19
 - Zurich joins commercial motor in early 2019
- 5 year target:** \$2.3 billion of GWP and ~\$23 million EBITA contribution per annum by FY23 (after amortisation of ~\$6m per annum) to Steadfast Group
 - Based on 80% of Network GWP being available on SCTP and 60% usage by brokers in Australian Network
 - Driven by increased revenue from M&A fees and equity brokers
 - Continued but declining technology spend on SCTP, INSIGHT and UnderwriterCentral

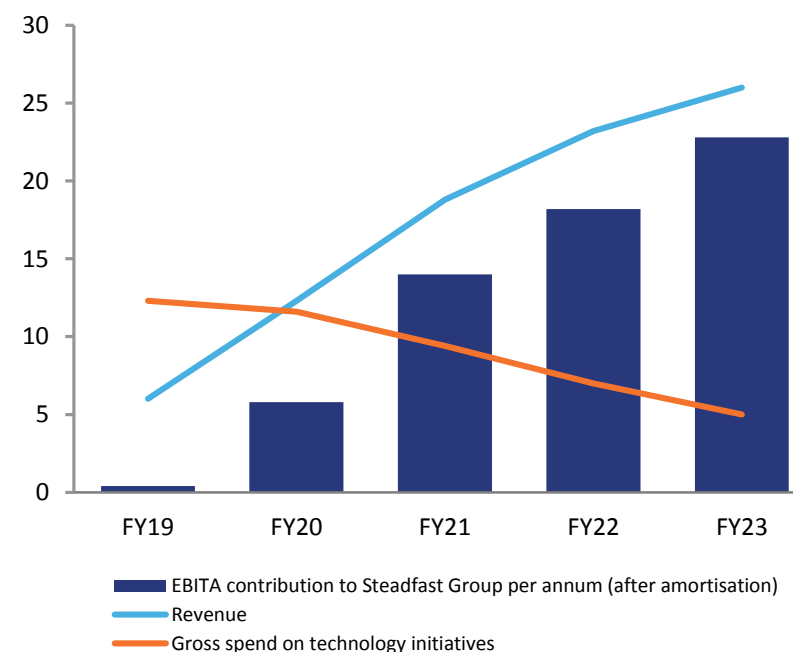
INSIGHT (client relationship management and back office system for brokers)

- 75 brokers live on INSIGHT
- Additional 50 brokers currently contracted to migrate onto INSIGHT

GWP transacted through SCTP (\$bn)



Additional contribution to Steadfast Group from SCTP (\$m)



FY18 financial performance

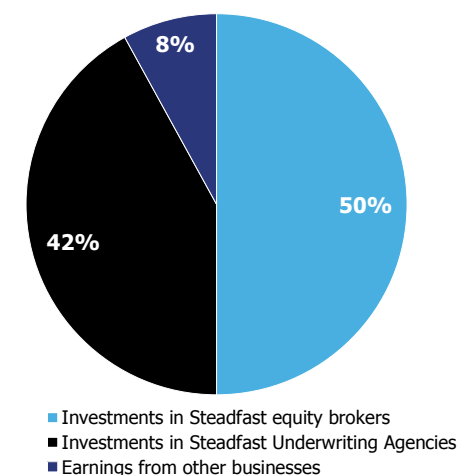
Group financial performance

Strong underlying earnings growth

| 12 months to 30 June \$ million | Underlying FY18 | Underlying FY17 | Year-on-year growth % |
|------------------------------------|--------------------|--------------------|--------------------------|
| Revenue (\$m) | 582.5 | 504.1 | 15.5% |
| EBITA (\$m) | 165.6 | 143.3 | 15.5% |
| NPAT (\$m) | 75.0 | 66.4 | 12.9% |
| EPS (NPAT) (cents) | 9.71 | 8.87 | 9.5% |
| NPATA ¹ (\$m) | 97.3 | 87.2 | 11.6% |
| EPS (NPATA) (cents) | 12.60 | 11.65 | 8.2% |

- Underlying EBITA growth of **\$22.3** million (+15.5%)
 - Organic growth of **\$13.8** million (+9.6%)
 - Acquisition growth of **\$8.5** million (+5.9%)
- 99%** conversion of NPATA into cash
- Unutilised debt facility of **\$109** million available
 - Total Group gearing ratio of **17.5%**, well within board approved maximum of 30%, made up of 25% for Steadfast Group and 5% for subsidiaries

FY18 underlying EBITA mix (IFRS)



¹ Calculated on a consistent basis since IPO.

Equity brokers financial performance

Organic and acquisition growth



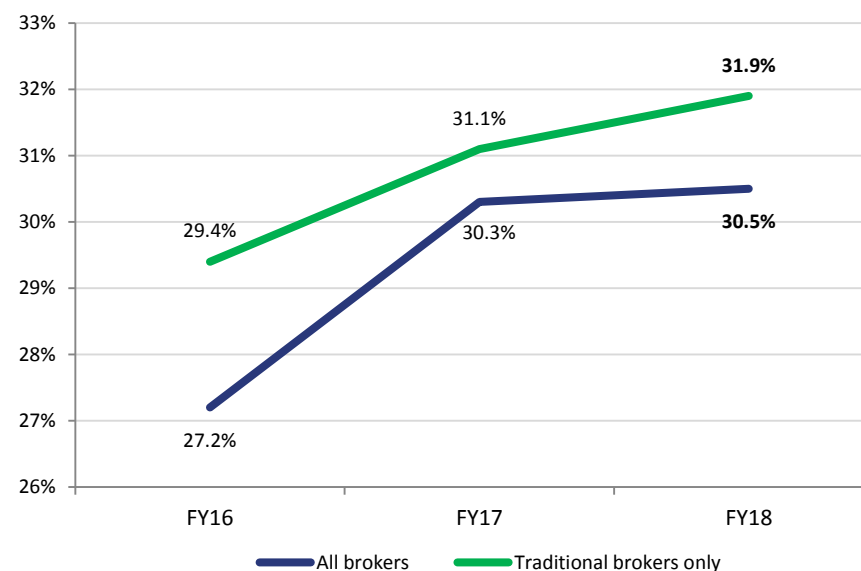
Share of FY18 Underlying EBITA

Equity brokers – consolidated & equity accounted (assuming 100% ownership)

| 12 months to 30 June, \$ million | Underlying FY18 | Underlying FY17 | Year-on-year growth % | Organic growth % | Growth from acquisitions & hubbing ¹ % |
|---|--------------------|--------------------|--------------------------|---------------------|---|
| Net fees & commissions ² | 334.8 | 303.3 | 10.4% | 5.6% | 4.8% |
| Net revenue² | 380.0 | 347.1 | 9.5% | 5.0% | 4.5% |
| EBITA | 116.1 | 105.1 | 10.4% | 5.8% | 4.6% |
| EBITA ('traditional' brokers only) | 89.7 | 80.2 | 11.7% | 6.0% | 5.7% |

- EBITA of **\$116.1** million driven by organic and acquisition growth
 - Growth in net fees & commissions due to GWP increases across classes
 - Acquisition of Whitbread Insurance Brokers in Dec 2017
- EBITA margin of **30.5%** up from 30.3% in FY17
 - 0.8%** EBITA margin expansion for 'traditional' general insurance brokers (excludes AR networks and wholesale, life insurance and trade credit brokers)

EBITA margin³: FY16 – FY18



¹ Acquisition growth includes the net effect of acquisitions, divestments, and increased equity stakes.

² Net of third party payments.

³ EBITA margin = EBITA / Net revenue.

Underwriting Agencies financial performance

Strong earnings growth driven by price and volume increases

42 %

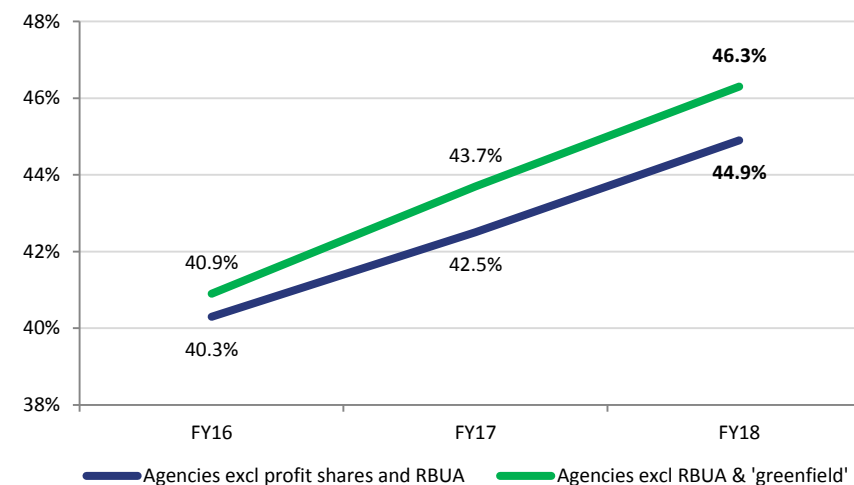
Share of FY18 Underlying EBITA

Agencies – consolidated & equity accounted (assuming 100% ownership)

| 12 months to 30 June, \$ million | Underlying FY18 | Underlying FY17 | Year-on-year growth % | Organic growth % | Growth from acquisitions & hubbing ² % |
|---|--------------------|--------------------|--------------------------|---------------------|---|
| Net fees & commissions ¹ | 154.3 | 133.6 | 15.5% | 13.8% | 1.7% |
| Net revenue¹ | 159.1 | 139.0 | 14.4% | 12.8% | 1.6% |
| EBITA | 74.6 | 62.1 | 20.2% | 18.7% | 1.5% |
| EBITA (excl. profit shares, RBUA) | 69.0 | 55.2 | 24.8% | 20.3% | 4.5% |
| EBITA (excl. profit shares, RBUA, investment in 'greenfield' agencies) | 68.0 | 55.1 | 23.3% | 17.7% | 5.6% |

- Net revenue growth driven by price and volume increases
 - Insurers moving premium prices towards technical levels
- Strong performance with **23.3%** EBITA growth
- 2.4%** EBITA margin expansion driven by strong revenue growth in rising price environment and cost containment
 - 2.6%** expansion when investments in 'greenfield' agencies such as Emergence and Blend are excluded

EBITA margin³: FY16 – FY18



¹ Net of third party payments.

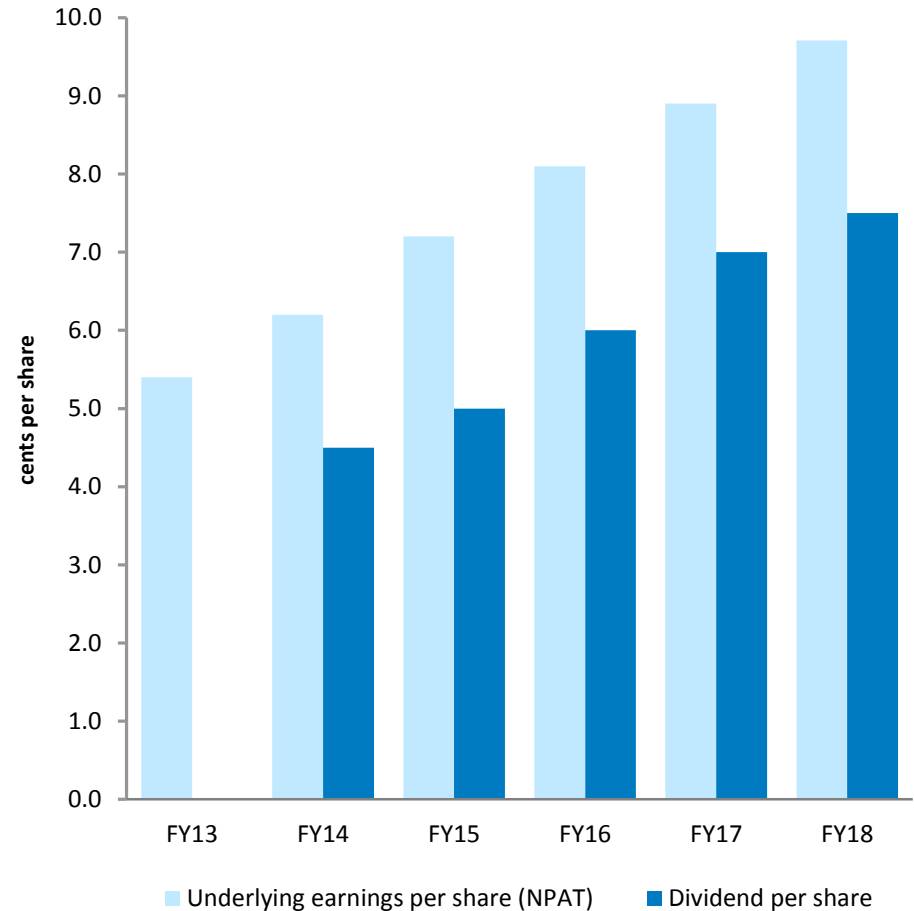
² Acquisition growth includes the net effect of acquisitions, divestments, and increased equity stakes.

³ EBITA margin = (EBITA / Net revenue) after removing profit shares and RBUA closure.

Final FY18 dividend

Final dividend up 7%

- Final FY18 dividend of **4.7** cps (fully franked), **+7%**
- Total FY18 dividend of **7.5** cps (fully franked), **+7%**
 - Total FY18 dividend payout ratio is 79% of underlying NPAT, in line with target of 65% to 85%
- Dividend Reinvestment Plan (DRP) to apply to final FY18 dividend; no discount
 - DRP shares will be acquired on market
- Key dates for final FY18 dividend:
 - Ex date: 29 August 2018
 - Dividend record date: 30 August 2018
 - DRP record date: 31 August 2018
 - Payment date: 20 September 2018



FY19 guidance

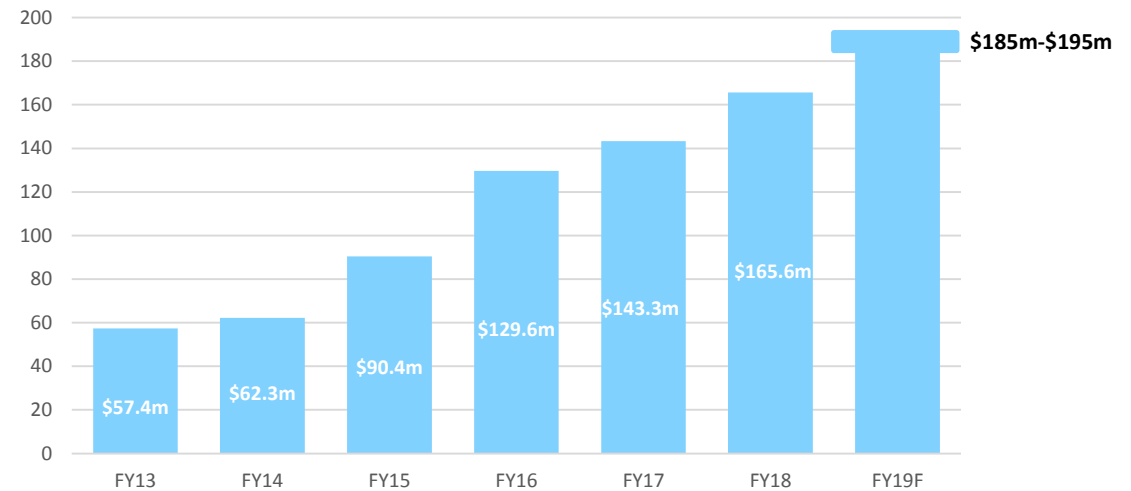
FY19 guidance

Continued growth while implementing technology initiatives

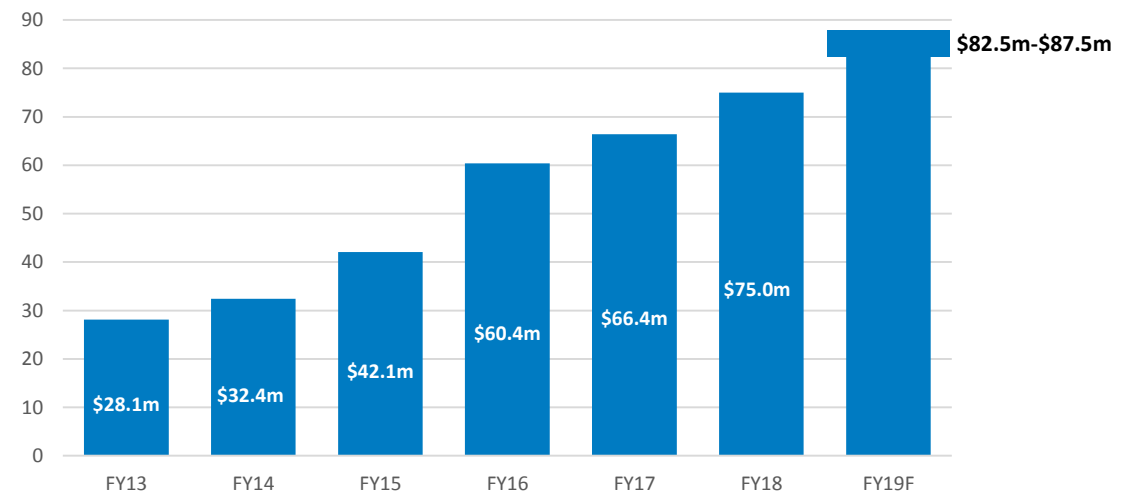
- **FY19 guidance range¹:**
 - Underlying EBITA of \$185 million - \$195 million
 - Underlying NPAT of \$82.5 million - \$87.5 million

- **Guidance subject to:**
 - Insurers continuing to drive moderate premium price increases
 - Increasing contribution from SCTP (see slide 6 for more detail)
 - Ongoing technology investment

Underlying EBITA (\$m)²



Underlying NPAT (\$m)²



¹ Also refer to the key risks on pages 37 – 39 of the Steadfast Group 2018 Annual Report.

² FY13 and FY14 are pro-forma; FY15-FY18 are underlying.

Questions

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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate. All references starting with “FY” refer to the financial year ended 30 June. All references starting with “1H” refers to the financial half year ended 31 December. “2H” refers to the financial half year ended 30 June.

¹ Calculated on consistent basis since IPO