



25th February 2019

The Manager
Market Announcements Office
Australian Securities Exchange Limited
Level 6, Exchange Centre,
20 Bridge Street
Sydney NSW 2000

FOR RELEASE TO THE MARKET

Dear Sir / Madam,

Re: AUB 1H19 Results Presentation and Announcement

Attached for immediate release in relation to AUB Group Limited (ASX:AUB) 1HFY19 results are the following documents:

- Announcement
- Results Presentation

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'David Franks', with a stylized flourish at the end.

David Franks
Company Secretary

For further information, contact David Franks Tel: (02) 8098 1169 or 0414 899 897
davidf@aubgroup.com.au

AUB Group Limited

Level 10, 88 Phillip Street,
Sydney, NSW, 2000.

ABN 60 000 000 715
ACN 000 000 715

aubgroup.com.au

ASX release

25 February 2019

AUB Group delivers continued growth

Half Year Results Summary:

- Adjusted NPAT¹ \$17.0 million (1H18: \$16.7 million) up 1.8%, which includes costs relating to Austbrokers Canberra fraud of \$1.6 million.
- Adjusted earnings per share 25.9 cents up 0.23%, with 1H18 TERP² adjusted.
- Organic growth the key driver of business performance.
- Reported Net Profit After Tax \$19.8 million (1H18: \$23.8 million), down 16.5%.
- Interim fully franked dividend of 13.5 cents per share, up \$1.3m in cash terms.
- The Group expects Adjusted NPAT to be in the lower end of the previously announced range of 7-12% growth over FY18.

AUB Group Limited (ASX:AUB) has reported a 1.8% increase in Adjusted Net Profit After Tax (Adjusted NPAT¹), to \$17.0m (1H18: \$16.7m), including costs relating to the Austbrokers Canberra fraud of \$1.6m. Good performances in Australian and New Zealand Insurance Broking and Underwriting Agencies were partially offset by the planned investment costs in Risk Services together with the short-term impact of the NSW workers compensation changes versus prior comparable period. On an Adjusted basis, earnings per share increased to 25.9 cents per share, up 0.23% over the prior comparable period.

Consolidated Net Profit After Tax (Reported NPAT) decreased 16.5% to \$19.8m in 1H19 (1H18: \$23.8m) due to adjustments to carrying value of investments, and other non-cash accounting adjustments relating to mergers and acquisitions.

AUB Group CEO and Managing Director, Mark Searles, said: “Strong revenue and profit growth has been achieved in Insurance Broking in Australia and New Zealand and also in SURA, our underwriting agency business. This has been driven by a combination of organic growth and anticipated premium rate increases, together with increased cross collaboration across our businesses. Offsetting these strong results has been the planned investment for growth in Risk Services, together with the revenue impact of NSW workers compensation changes.”

The company has declared an interim dividend of 13.5 cents per share fully franked (1H18: 13.5 cps), payable on 5th April 2019.

Highlights of the 1H19 results by operating area include:

Australian Broking

- **11% increase in profit contribution from Australian Broking in the half.** Australian Broking contributed \$22.6m (1H18: \$20.4m) to the Group in the period. Excluding costs relating to the Austbrokers Canberra fraud, pre-tax profit contribution increased by 21.9%
- **Organic growth** was delivered through increases in client numbers, policy numbers and an improvement in cross sales.
- **Commercial lines insurance premiums** increased on an average basis by mid-single digits over the period.

1 NPAT excluding adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges, and amortisation of intangibles.
Performance measure used by management to assess underlying business performance. Includes one-off adjustments of \$1.6m in Austbrokers Canberra

2 Theoretical Ex-Rights Price

New Zealand

- **15% increase in profit contribution from New Zealand to \$3.2m** (1H18: \$2.8m), primarily driven by strong organic income growth partially offset by investment in NZ group management and infrastructure to support growth.
- **Organic growth has been delivered** as a result of increases in new clients and premium funding income in a positive premium rate environment.
- **The market strength of NZbrokers has been further enhanced** and NZbrokers now manages in excess of NZ\$675m GWP, building on its position as the largest broking management group in NZ.

Underwriting Agencies

- **11% increase in profit contribution from Underwriting Agencies to \$5.1m** (1H18 \$4.6m) with strong organic growth in revenue (up 14%) driven by increased policy count (+6.7%), and average mid-single digit premium rate increases.
- **Positive revenue and profit impact** from most businesses, in particular AustRe and Strata.
- **The implementation of the new underwriting system will** deliver improved operational efficiencies, governance and service delivery in future years.

Risk Services

- **Profit contribution from Risk Services was \$1.8m** (1H18: \$4.3m).
- **Revenue was down 1.2% due to headwinds relating to changes in NSW Workers Compensation.**
- **Costs have increased 10.6% due to strategic investment** in new ancillary risk and injury management services across states. The investment in new propositions, national capability and quality service models provides a positive outlook for growth in the medium term.
- **Revenue growth outside NSW** continues with new panel appointments and expanded client base.

Group Services and Corporate Costs

- **The Corporate cost base was flat compared to the prior comparable period**

Capital Management

- **Net assets at 31 December are \$474.5m** (FY18: \$357.2m) up due to the equity capital raising towards the end of the reporting period.
- **AUB Group raised \$116m** via a fully underwritten 4 for 27 accelerated pro-rata non-renounceable entitlement offer at \$12.30 per share. Proceeds from the capital raising are being used to provide additional financial flexibility for growth initiatives and to fund further acquisitions.
- **Look through gearing has decreased to 16.4%** (FY18: 31.0%), the parent entity has cash and undrawn committed facilities of \$117.7m at 31 December 2018.

Dividends

The Board has declared an interim fully franked dividend of 13.5 cents per share. This dividend is payable on 5th April 2019 to shareholders on the record date of 7th March 2019. No Dividend Reinvestment Plan (DRP) arrangements will be offered for the interim dividend.

In light of the recent equity capital raising, the interim dividend is maintained at 13.5cents per share. In cash terms this represents an increase of \$1.3m over prior comparable period.

Outlook

- **The Group will continue to maintain its disciplined approach to executing our business model, operating model and strategy. The Group's client-focused strategy accords with potential directional outcomes of the Financial Services Royal Commission.**
- **The benefits of acquisitions undertaken toward the end of 1H19 and in early 2H19 will benefit the Group into the future, particularly FY20 and beyond as synergies are realized.**
- **There are contingent liabilities with respect to the Austbrokers Canberra fraud. Due to the complexity of the matter and the ongoing nature of investigations, it is not yet possible to determine whether there is a financial exposure, and if there is, to reliably quantify the amount of any possible loss net of insurance recoveries.**
- **The Group remains focused on driving organic growth that accords with the strategy. Furthermore, we will continue to investigate acquisitions and start-up investment opportunities.**

- We remain focused on geographic diversification and cross-sell opportunities in our Risk Services businesses. We expect the impact of the NSW workers compensation changes to lessen in 2H19, supporting a return to growth in FY20.
- In the context of a mid-single digit premium rate environment, partner investment, and the impact of Risk Services and Austbrokers Canberra, the Group expects Adjusted NPAT to be in the lower end of the previously announced range of 7-12% growth over FY18.

Webcast

Mark Searles, CEO & Managing Director and Mark Shanahan, Chief Financial Officer will host a webcast today at 10:00am AEST followed by a Q&A session – details below:

Direct DDI(s) for Teleconference:	Australia Access:	1800 093 431
	New Zealand:	0800 452 257
	International:	+61 2 8047 9393

Teleconference Participant Pin Code: 60622882#

Webcast Audience Link:

<http://event.onlineseminarsolutions.com/wcc/r/1904799-1/3C4CE693A148450ECDE55C0DFDDCDC73>



M. P. L. Searles
CEO & Managing Director

For further information, contact Mark Searles Tel (02) 9935 2255
Mark Shanahan Tel (02) 9935 2231

– Ends –

This release contains “forward-looking” statements. Forward-looking statements can generally be identified by the use of forward-looking words such as “anticipated”, “expected”, “projections”, “guidance”, “forecast”, “estimates”, “could”, “may”, “target”, “consider”, “will” and other similar expressions. Forward looking statements, opinion and estimates are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, AUB Group and its directors, officers, employees, advisers, agents and intermediaries do not warrant that these forward looking statements relating to future matters will occur and disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

AUB GROUP FY18 PRESENTATION OF FINANCIAL RESULTS

Table 1 Financial Results Summary

FINANCIAL RESULTS SUMMARY	1H19 \$ 000	1H18 \$ 000	Variance %
Revenue from ordinary activities ¹	145,439	129,830	12.0%
Adjusted NPAT ²	17,014	16,706	1.8%
Profit before tax	29,673	33,772	-12.1%
Net profit after tax (before non-controlling interests)	23,972	28,073	-14.6%
Net profit attributable to members (Reported NPAT)	19,826	23,752	-16.5%
Reported earnings per share (TERP adjusted ³)	30.10	36.68	-17.94%
Adjusted earnings per share (cents) ² (TERP adjusted)	25.86	25.80	0.23%
Dividend per share (cents)	32.0	29.5	8.5%
Dividend proposed per share	14.0	13.5	3.7%

¹ Revenue from ordinary activities includes the Group's share of net profit after tax from associates which are companies and the Group's share of net profits before tax from associates which are unit trusts.

² Adjusted NPAT represents the underlying profitability of the business used by management and the board to assess performance of the business. Further details are provided in the table below. Adjusted earnings per share is earnings per share calculated with reference to Adjusted NPAT.

³ Theoretical ex-rights price factor

Table 2 Reconciliation of Adjusted NPAT to Reported NPAT¹

The Reported profits of the business include non-operational items, such as profits and losses on sale of equity interests, fair value adjustments to carrying values on ownership changes, changes to estimates or payments of deferred contingent consideration amounts, impairment adjustments and amortisation of intangible assets. These profits or losses are not part of the regular trading activities and can distort the underlying performance of the business. These items have been eliminated to provide a clear representation of the underlying trading performance. This measure, labelled Adjusted NPAT, is used by management and the board to assess operational performance, and is reconciled below.

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT ¹	1H19 \$ 000	1H18 \$ 000	Variance %
Net Profit after tax attributable to equity holders of the parent	19,826	23,752	-16.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates ²	(22)	169	
Add back offsetting impairment charge to the carrying value of associate & goodwill, related to above ³	1,400	-	
Add back impairment charge to the carrying value of controlled entity - net of non controlling interests ²	22	-	
Net adjustment	1,400	169	
Less / plus profit on sale or deconsolidation of controlled entities net of tax ⁴	(1,220)	(1,101)	
Plus movement in put option liability ⁵	269	-	
Less profit on sale of associates/insurance broking portfolios net of tax ⁴	(795)		
Adjustment to carrying value of entities (to fair value) on date they became controlled or deconsolidated ⁴	(4,548)	(8,117)	
Net Profit from operations	14,932	14,703	1.6%
Add back amortisation of intangibles net of tax ⁶	2,082	2,003	3.9%
Adjusted NPAT	17,014	16,706	1.8%

¹ The financial information in this table has been derived from the financial statements which were reviewed by AUB Group auditors. The adjusted NPAT is non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.

² The Group's acquisition policy is to defer a component of the purchase price, which is determined by future financial results. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change, or payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate or payment is reduced, an offsetting adjustment (impairment) may be made to the carrying value.

³ Where the carrying value of a controlled entity or associate exceeds the fair value an impairment expense is recognized during the period.

⁴ The profit on sale/ adjustments to carrying values of associates or controlled entities arise where the Group increases its equity in associates whereupon they became controlled entities or decreases its equity in a controlled entity and it becomes an associate (deconsolidated). As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in net profit. Such adjustments will only occur in future if further acquisitions or sales of this type are made.

⁵ Movement in value of the put option liability mainly due to the unwind of finance charges recognized in the accounts at present value.

⁶ Amortisation expense is a non-cash item.

Table 3 Management Presentation of Results

A number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, the following table aggregates 100% of these businesses' revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. This provides a view as to the growth in the network without potential distortion from shareholding changes that may move entities from consolidated to associates or vice versa. The following analysis is presented on an Adjusted NPAT basis. A reconciliation of this data to the operating segments per the financial statements is included in the Director's Report.

MANAGEMENT PRESENTATION OF RESULTS	1H19	1H18	Variance	Variance
	\$ 000	\$ 000	\$	%
Australian Broking revenue	163,100	154,440	8,660	5.6%
Australian Broking expenses	(118,096)	(113,358)	(4,738)	4.2%
EBIT - Australian Broking	45,005	41,082	3,922	9.5%
New Zealand Broking revenue	22,318	18,180	4,138	22.8%
New Zealand Broking expenses	(15,035)	(11,784)	(3,251)	27.6%
EBIT - New Zealand Broking	7,283	6,396	887	13.9%
Underwriting Agencies revenue	28,718	25,833	2,885	11.2%
Underwriting Agencies expenses	(20,594)	(18,885)	(1,709)	9.0%
EBIT - Underwriting Agencies	8,124	6,948	1,176	16.9%
Risk Services revenue	42,660	43,172	(512)	-1.2%
Risk Services expenses	(39,032)	(35,264)	(3,768)	10.7%
EBIT - Risk Services	3,628	7,908	-4,280	-54.1%
Total revenue - operating entities	256,796	241,625	15,171	6.3%
Total expenses - operating entities	(192,757)	(179,291)	(13,466)	7.5%
Total EBIT - operating entities	64,039	62,334	1,705	2.7%
Corporate revenue	1,236	1,083	153	14.1%
Corporate expenses	(8,017)	(8,176)	159	-1.9%
EBIT - Corporate	(6,781)	(7,093)	312	-4.4%
Total - Group revenue	258,032	242,708	15,324	6.3%
Total - Group expenses	(200,774)	(187,467)	(13,307)	7.1%
Total- EBIT AUB Group before NCI (underlying EBITA)	57,258	55,241	2,017	3.7%
Interest expense - Operating entities	(4,364)	(3,954)	(410)	10.4%
Interest expense - Corporate	(1,415)	(859)	(556)	64.7%
Total - Interest expense	(5,779)	(4,813)	(966)	20.1%
Profit before NCI	51,479	50,428	1,051	2.1%
Non - Controlling Interest (NCI)	(27,007)	(26,374)	(633)	2.4%
Adjusted Net profit before tax	24,472	24,054	418	1.7%
Income tax expense	(7,458)	(7,348)	(110)	1.5%
Adjusted NPAT	17,014	16,706	308	1.8%

AUB GROUP LTD HALF YEAR RESULTS

FOR THE PERIOD ENDED
31 DECEMBER 2018 (1H19)

25 FEBRUARY 2019



NOTICE

SUMMARY INFORMATION

This document has been prepared by AUB Group Limited (ABN 60 000 000 715) (AUB). It is a presentation of general background information about AUB's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with AUB's other announcements released to ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any investor. Before acting on any information in this document you should consider the appropriateness of the information having regard to these matters and in particular, you should seek independent financial advice.

TERMINOLOGY

This presentation uses Adjusted NPAT to present a clear view of the underlying profit from operations. Adjusted NPAT comprises consolidated profit after tax adjusted for fair value adjustments for the carrying value of associates, after tax profits on the sale of portfolios, interests in associates and controlled entities, contingent consideration adjustments, and income tax credits arising from the recognition of deferred tax assets. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in the appendix to this Presentation.

FORWARD LOOKING STATEMENTS

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AUB, that may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on these forward looking statements. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside of AUB's control. There can be no assurance that the actual outcomes will not differ materially from these statements. Neither AUB nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by applicable law or the ASX Listing Rules, AUB disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events.

Statements about past performance are not necessarily indicative of future performance.

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OVERVIEW

MARK SEARLES
CEO & MANAGING DIRECTOR



KEY HIGHLIGHTS IN 1H19

- Good industry growth evidenced in 1H19
 - Group grew Adjusted NPAT and Adjusted EPS
 - Successful completion of \$116m capital raise to fund acquisitions and de-lever balance sheet
 - Focus on strategic execution with increasing evidence of collaboration between divisions and partners delivering organic growth
 - Investment for growth in Risk Services continues together with short-term impact of NSW workers compensation changes
 - Ongoing acquisition activity with a strong pipeline of opportunity
 - Premium pricing environment performing as expected at mid-single digit average increase
 - Comprehensive response to Austbrokers Canberra fraud
 - Good corporate cost control
 - CEO succession plan enacted successfully
-

PERFORMANCE DETAILS

Delivering good underlying profit and revenue growth

	1H19	1H18	GROWTH
Adjusted NPAT ¹ (\$m)	17.0	16.7	+1.8%
(Adjusted NPAT (\$m) excluding Austbrokers Canberra fraud costs)	18.6	16.7	+11.4%
Reported NPAT (\$m)	19.8	23.8	-16.5%
Underlying ² Revenue (\$m)	256.8	241.6	+6.3%
Underlying ² EBITA (\$m)	64.0	62.3	+2.7%

Divisional Organic growth: The key driver (Increase in Organic EBIT over pcg)

Australian broking	+11%
New Zealand broking	+10%
Underwriting Agencies	+27%
Risk Services	-54%

Shareholder returns:

	1H19	FY18	
Adjusted EPS (cps) (1H18 TERP Adjusted) ³	25.86	25.80	+0.23%
Interim dividend per share	13.5	13.5	-

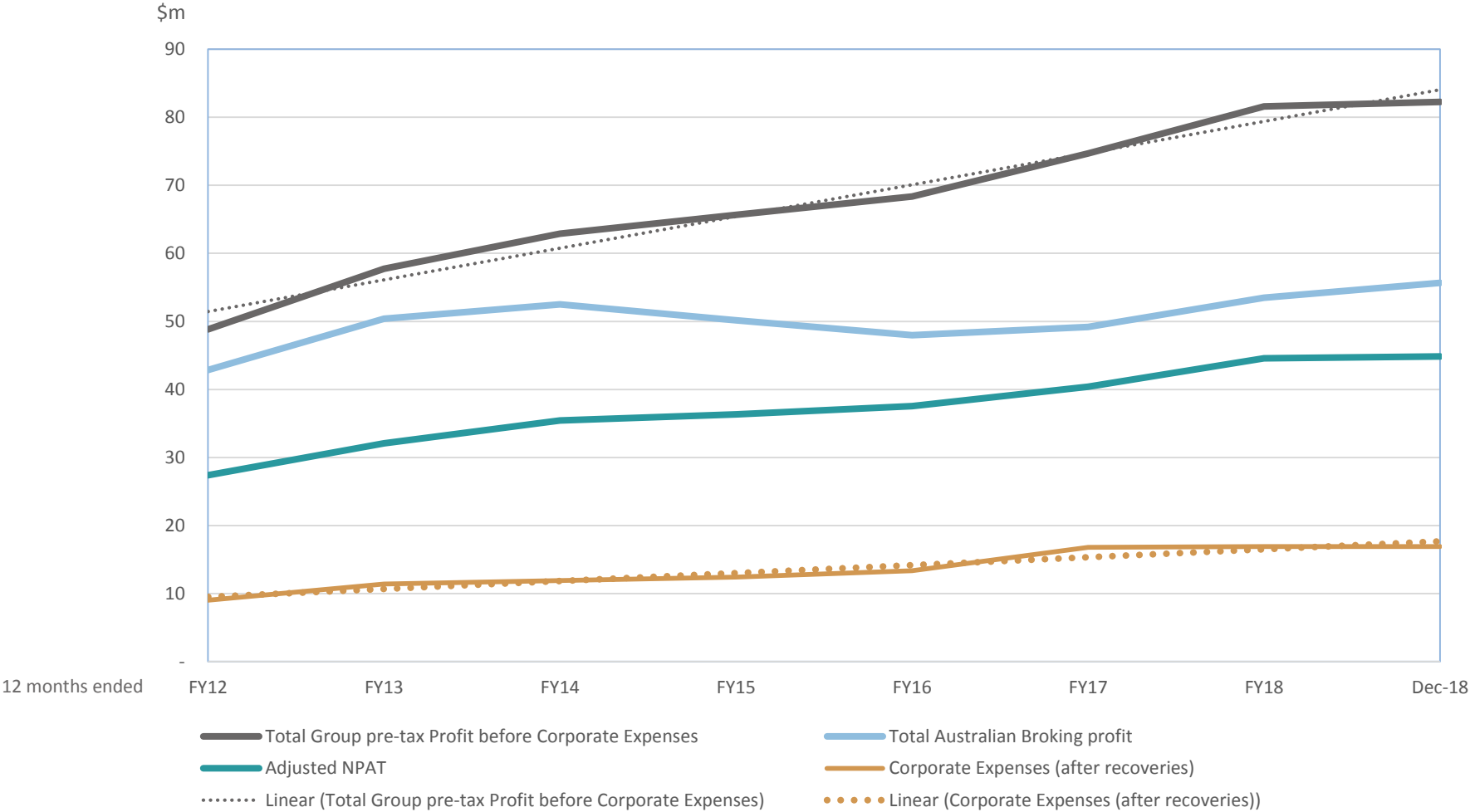
¹ NPAT excluding adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charge and amortisation of intangibles. Performance measure used by management to assess underlying business performance.

² Underlying Management Results: a number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, these numbers aggregate 100% of all business revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. Excludes non-operational accounting adjustments relating to acquisitions. Refer Appendix 2 for further detail.

³ Theoretical Ex-Rights Price adjusted.



EXECUTION OF GROUP STRATEGY SUPPORTS CONTINUED GROWTH





FINANCIAL PERFORMANCE

MARK SHANAHAN
CHIEF FINANCIAL OFFICER



KEY RESULTS

Overall continued growth

- Strong underlying management result - 1H19 impacted by weaker Risk Services performance and costs of Austbrokers Canberra fraud.
- Underlying performance translates to growth in key performance metrics:
 - Adjusted NPAT increased 1.8% to \$17.0m.
 - Adjusted EPS growth increased by 0.23% to 25.86 cents.
- Revenue and profit growth across all operating areas except Risk Services, which saw investment for growth, together with the revenue impact of NSW workers compensation changes.
- Reported NPAT \$19.8m down from \$23.8m, due mainly to reduced fair value movements on investments (refer Appendix 1 for further details).
- Interim fully franked dividend of 13.5 cents, an increase in cash dividend of \$1.3m over the prior comparable period.

	1H19	1H18	GROWTH
Underlying Management Results ¹			
Revenue (\$m)	256.8	241.6	6.3%
EBITA (\$m)	64.0	62.3	2.7%
NPBT (pre-amortisation) (\$m)	51.5	50.4	2.1%
AUB Group Key Performance Metrics ²			
Adjusted NPAT (\$m)	17.0	16.7	1.8%
EPS Adjusted (cents) (TERP adj)	25.9	25.8	0.2%
Statutory Results			
Revenue from ordinary activities ³ (\$m)	145.4	129.8	12.0%
Reported NPAT (\$m)	19.8	23.8	-16.5%
Dividends per share (cents)	13.5	13.5	-

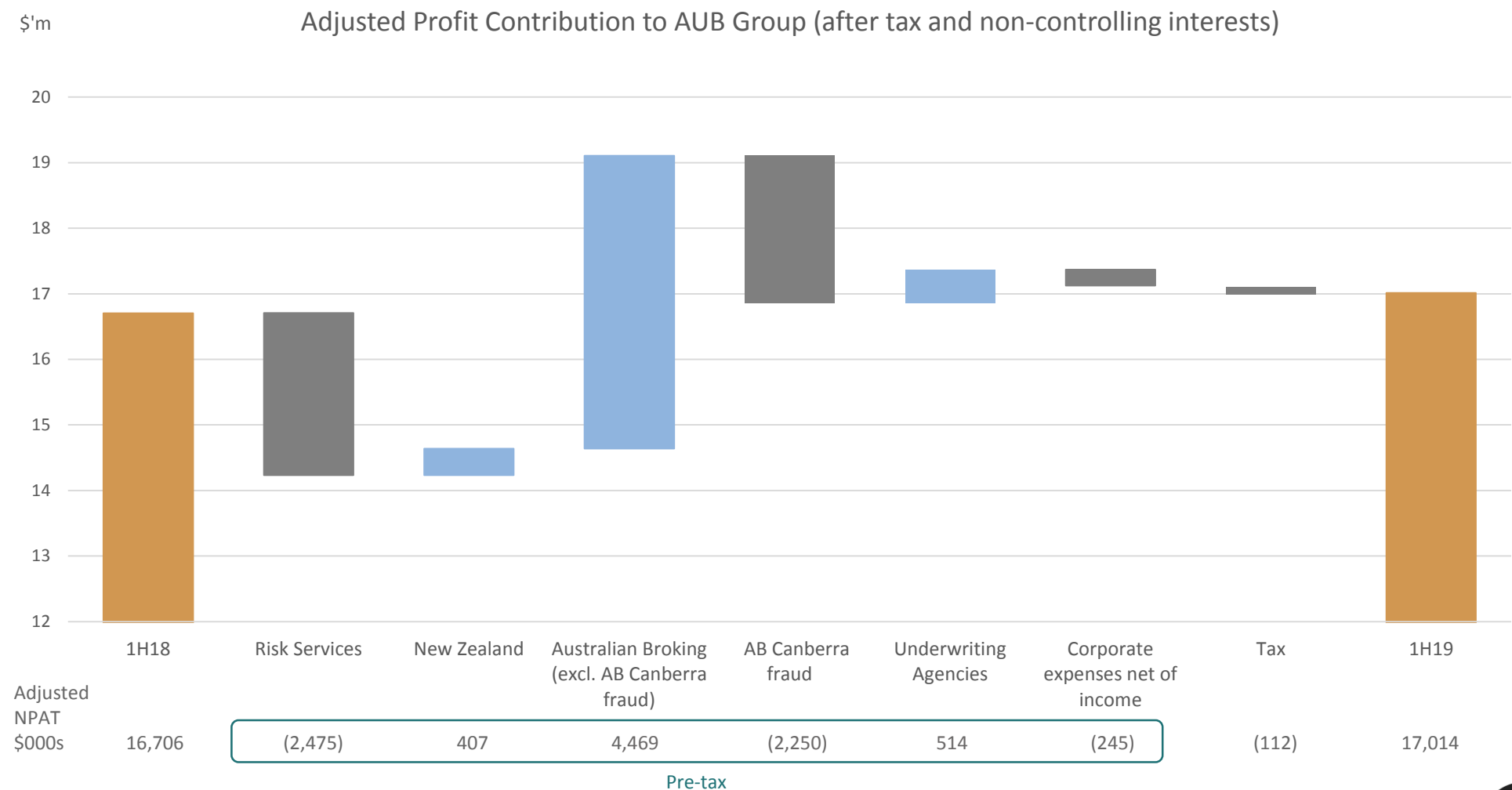
¹ Underlying Management Results: a number of the businesses in the AUB Group are associates and are not consolidated in the financial statements. In order to give a more comprehensive view of performance, these numbers aggregate 100% of all business revenues and expenses with those of the consolidated businesses before deducting outside shareholder interests. Excludes non-operational accounting adjustments relating to acquisitions. Refer Appendix 2 for further detail.

² Adjusted NPAT is used by management and the board to assess operational performance and is reconciled in Appendix 1. Adjusted EPS is calculated using Adjusted NPAT.

³ Statutory revenue / Revenue from ordinary activities includes: Revenue and profit from associates, per the 31 December Financial Report.

AUB GROUP NPAT CONTRIBUTION ANALYSIS

Execution of strategy delivers growth and diversification



INSURANCE BROKING – AUSTRALIA

Continued growth

- Pre-tax profit contribution¹ to AUB Group of \$22.6m up 10.9% resulting from organic growth and shareholding changes.
- Underlying EBIT margin, excluding Austbrokers Canberra fraud cost, of 29.0% vs 26.6% in 1H18.
- Growth in income driven by premium rates and ongoing client and policy number growth.
- Mid-single digit average premium rate increases evident across the market, albeit variable across class, geography, and between new and renewal business.
- Premium Funding income continues to grow strongly.
- Ongoing cross-collaboration between Broking and Risk Services partners providing services to end clients.

Profit contribution to AUB Group – Pre-tax ² (\$'000s)	1H19	1H18	Var	% Var	Organic ³
Commission and fee income (net)	132,032	126,610	5,422	4.3%	4.4%
Life income	6,593	6,564	29	0.4%	
Profit commissions	353	340	13	3.8%	
Premium Funding	16,574	14,235	2,339	16.4%	
Interest	3,691	3,280	411	12.5%	
Other income	3,858	3,411	447	13.1%	
Total income	163,101	154,440	8,661	5.6%	5.7%
Expenses	(118,096)	(113,358)	(4,738)	4.2%	3.8%
EBIT	45,005	41,082	3,923	9.5%	10.9%
Profit before tax and non-controlling interests (PBT&NCI)	42,947	39,198	3,749	9.6%	11.0%
Net profit before tax attributable to equity holders of parent entity	22,609	20,390	2,219	10.9%	4.6%

¹ Pre-tax profit contribution before tax attributable to equity holders of the parent entity includes \$2.3m costs relating to Austbrokers Canberra fraud.

² Management presentation of Adjusted profit, refer Appendix 2 for further details.

³ Organic excludes contributions from directly acquired or divested businesses from both periods.

NEW ZEALAND

Strong organic growth

- Pre-tax profit contribution to AUB Group of A\$3.2m, up 15%. Revenue growth is strong up 23%.
- Premium rates continue to firm on average circa +5%, with varied application across geographies and classes, and the overall market remains competitive.
- NZbrokers is performing well, attracting new members and building its presence as the largest broker management group in New Zealand - representing over NZ\$675m GWP (NZ\$625m at June 2018).
- Investment in New Zealand management and infrastructure (including technology) continues as the business expands.
- Organic growth and acquisition expansion opportunities are both strong. In the period we completed the partnership acquisition of Rosser Underwriting initiating our underwriting agency strategy. The acquisition of an additional 50% of BWRS is effective from 1 January 2019.

Profit contribution to AUB Group – Pre-tax ¹ (\$000s)	1H19	1H18	Var	% Var	Organic ²
Total income	22,318	18,180	4,138	23%	18%
Expenses	(15,035)	(11,784)	(3,251)	28%	22%
EBIT	7,283	6,396	887	14%	10%
Profit before tax and non-controlling interests (PBT&NCI)	6,089	5,319	770	15%	10%
Net profit before tax attributable to equity holders of parent entity	3,186	2,781	405	15%	3.5%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details.

² Organic excludes contributions from directly acquired or divested businesses from both periods.

UNDERWRITING AGENCIES

Organic income growth in positive market

- Pre-tax profit contribution to AUB Group of \$5.1m, up 11% on pcp.
- Strong average mid-single digit premium rate growth. Policy count increased 6.7% (ex divested and acquired businesses) largely contributing to strong organic revenue growth of 14% on pcp.
- Positive revenue and profit impact from most businesses, in particular AustRe (wholesale placements) and Strata.
- Expenses increased 9% driven by staff costs to support increased underwriting activity and costs related to the new underwriting system.

Profit contribution to AUB Group – Pre-tax ¹ (\$'000s)	1H19	1H18	Var	Var %	Organic ²
Commission and fee income (net of sub agents)	27,306	24,214	3,092	13%	14%
Profit commissions	109	36	73	203%	
Claims handling	294	320	(26)	(8)%	
Other fees	564	900	(336)	(37)%	
Interest	445	363	82	23%	
Total income	28,718	25,833	2,885	11%	14%
Expenses	(20,594)	(18,885)	1,709	9%	9%
EBIT	8,124	6,948	1,176	17%	27%
Profit before tax and non-controlling interests (PBT&NCI)	7,179	6,136	1,043	17%	32%
Net profit before tax attributable to equity holders of parent entity	5,082	4,568	514	11%	18%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details.

² Organic excludes contributions from directly acquired or divested businesses from both periods.

RISK SERVICES

Investment for growth

- The investment in new propositions, national capability and quality service models provides positive outlook for growth in the medium term.
- Costs have increased due to planned strategic investment in new ancillary risk and injury management services across states.
- As reported previously, the changes to the NSW workers compensation scheme are resulting in revenue volatility over FY19 with an uplift expected towards Q4.
- Revenue growth outside NSW continues with new panel appointments and expanded client base.
- New initiatives harnessing the 'AUB ecosystem' implemented to bring enhanced service quality to clients via brokers.
- New digital propositions in work health safety and well-being launched in 1H19 to drive 'direct to client' channel.

Profit contribution to AUB Group – Pre-tax ¹ (\$000s)	1H19	1H18	Var	% Var	Organic ²
Revenue	42,660	43,172	(512)	(1.2)%	(1.2)%
Expenses	(39,032)	(35,264)	3,768	10.6%	10.7%
EBIT	3,628	7,908	(4,280)	(54.0)%	(54.1)%
Profit before tax & non-controlling interests (PBT&NCI)	3,461	7,726	(4,265)	(55.2)%	(55.2)%
Net profit before tax attributable to equity holders of parent entity	1,792	4,268	(2,476)	(58.0)%	(58.0)%

¹ Management presentation of Adjusted profit, refer Appendix 2 for further details.

² Organic excludes contributions from directly acquired or divested businesses from both periods.

BALANCE SHEET AND FUNDING

Increased balance sheet capacity

Group balance sheet:

- Investments (the aggregate of Investments in Associates and Intangible Assets and Goodwill) total \$463.0m up \$40.0m (30 June 2018: \$423.0m), with increases from acquisitions.
- Gearing reduced to 11.3%. Total consolidated entities debt decreased by \$60.5m from \$121.2m to \$60.7m following debt repayment as a result of the capital raising.
- Look through gearing (including AUB share of borrowings from associates \$31.2m) reduced from 31.0% to 16.4%
- Borrowing by associates at 31 December 2018 not on AUB Group balance sheet reduced during the period after two associates became controlled entities. Associates borrowings reduced from \$73.4m at 30 June 2018 to \$62.5m ¹
- Parent entity multi-currency debt facility of \$150m, on a 3 year term (with extensions to 5 years). Undrawn facilities total \$118m at 31 December 2018.
- As at 31 December 2018, \$1m is committed to earn out payments due by the parent entity over next 12 months (30 June 2018: \$3m).

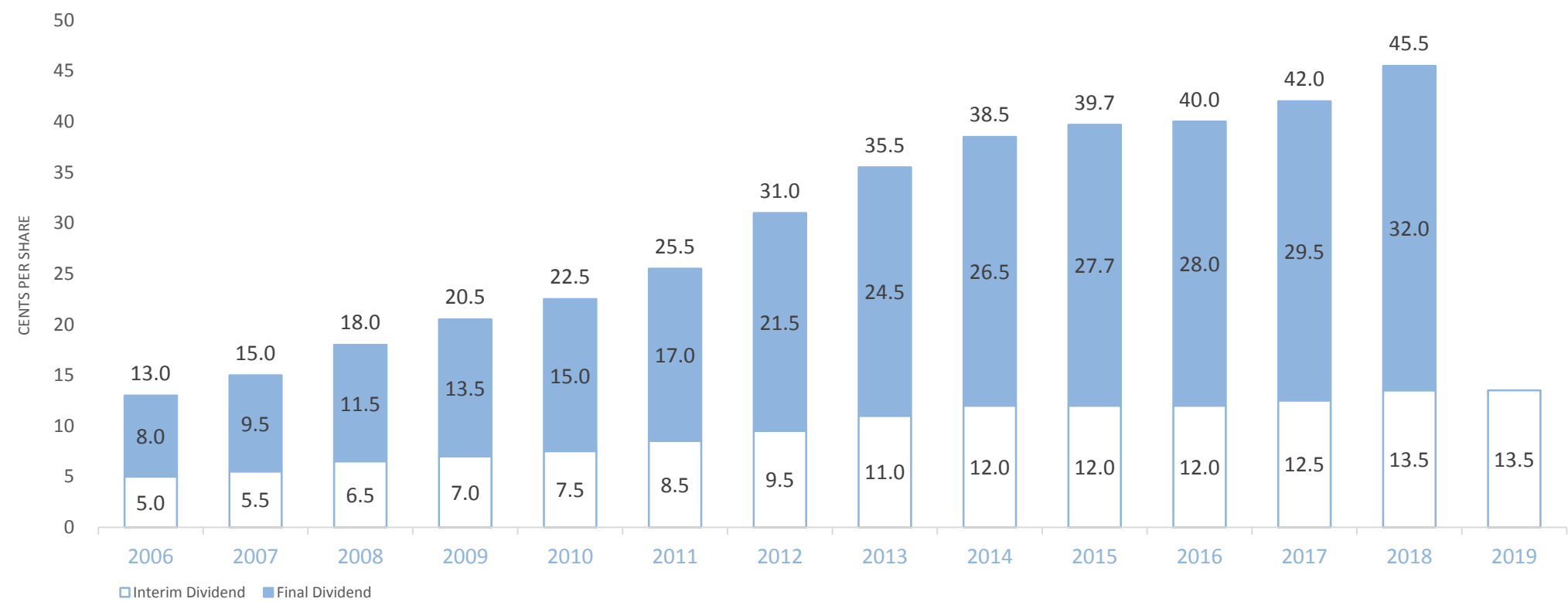
Consolidated balance sheet (\$m)	31.12.18	30.06.18
Cash	71.3	58.7
Cash – Trust	114.1	99.9
Interest bearing loans and borrowings	60.7	121.2
Investment in Associates	134.9	155.9
Intangible Assets and Goodwill	328.1	267.1
Total Assets	814.9	781.1
Total Liabilities	340.4	423.9
Equity	474.5	357.2
Gearing (debt to debt + equity)	11.3%	25.3%
Look through Gearing (incl share of Associates)	16.4%	31.0%
Interest cover (EBITDA) ²	11.7X	12.6x

¹ Total debt of associates, before considering AUB Group's percentage shareholding.

² Interest cover is borrowing costs (including AUB share of associates) / EBITDA (times). EBITDA is calculated based on Reported NPBT plus reported borrowing costs plus /minus non operating items used to determine adjusted NPAT.

DIVIDENDS PER SHARE

- Interim dividend per share of 13.5 cents, fully franked.
- \$1.3m increase in cash dividend payment.
- DRP remains suspended for the interim dividend.



FY19 PRIORITIES

The Group will continue its disciplined focus, building on the strength of our business model, operating model and group strategy.

- Business model: We will continue to maximise partnerships and our 'skin in the game' model to drive both organic growth and through attracting new equity partners.
 - Operating model: We will leverage Group scale to deliver leading products and services to partner businesses. Continue to build collaboration between partner businesses across the different areas. We will focus on delivering increased efficiencies, opportunities and margins for our partners and the Group.
 - Strategy: We will stay focused on delivering client-centric organic growth utilising the Group's focus on risk solutions for clients and building out our 'ecosystem' and ensuring we stay true to our purpose – 'to safeguard a stronger future' for our stakeholders.
 - Additional focus on:
 - Risk Services, driving revenue in 2H19 to leverage position changes to NSW workers compensation infrastructure and strategic investments in 1H19.
 - Increasing collaboration between partners.
 - Seamless handover to incoming CEO.
-

FY19 PRIORITIES

Continuing to drive execution of the Group's 'ecosystem'



FY19 OUTLOOK

- The Group will continue to maintain its disciplined approach to executing our business model, operating model and strategy. The Group's client-focused strategy accords with potential directional outcomes of the Financial Services Royal Commission.
 - The benefits of acquisitions undertaken toward the end of 1H19 and in early 2H19 will benefit the Group into the future, particularly FY20 and beyond as synergies are realised.
 - There are contingent liabilities with respect to the Austbrokers Canberra fraud. Due to the complexity of the matter and the ongoing nature of investigations, it is not yet possible to determine whether there is a financial exposure, and if there is, to reliably quantify the amount of any possible loss net of insurance recoveries.
 - The Group remains focused on driving organic growth that accords with the strategy. Furthermore, we will continue to investigate acquisitions and start-up investment opportunities.
 - We remain focused on geographic diversification and cross-sell opportunities in our Risk Services businesses. We expect the impact of the NSW workers compensation changes to lessen in 2H19, supporting a return to growth in FY20.
 - In the context of a mid-single digit premium rate environment, partner investment, and the impact of Risk Services and Austbrokers Canberra, the Group expects Adjusted NPAT to be in the lower end of the previously announced range of 7-12% growth over FY18.
-

A grayscale photograph of rowers on a boat, with a large teal circle overlaid on the left side. The rowers are in the foreground, and the boat's oars are visible. The background shows a body of water and a distant shoreline with trees.

APPENDICES

APPENDIX 1 – ADJUSTED NPAT

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT ¹	1H19	1H18	Variance
	\$ 000	\$ 000	%
Net Profit after tax attributable to equity holders of the parent	19,826	23,752	-16.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates ²	(22)	169	
Add back offsetting impairment charge to the carrying value of associate & goodwill, related to above ³	1,400	-	
Add back impairment charge to the carrying value of controlled entity - net of non controlling interests ²	22	-	
Net adjustment	1,400	169	
Less / plus profit on sale or deconsolidation of controlled entities net of tax ⁴	(1,220)	(1,101)	
Plus movement in put option liability ⁵	269	-	
Less profit on sale of associates/insurance broking portfolios net of tax ⁴	(795)		
Adjustment to carrying value of entities (to fair value) on date they became controlled or deconsolidated ⁴	(4,548)	(8,117)	
Net Profit from operations	14,932	14,703	1.6%
Add back amortisation of intangibles net of tax ⁶	2,082	2,003	3.9%
Adjusted NPAT	17,014	16,706	1.8%

¹ The financial information in this table has been derived from the financial statements which were reviewed by AUB Group auditors. The adjusted NPAT is non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.

² The Group's acquisition policy is to defer a component of the purchase price, which is determined by future financial results. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change, or payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate or payment is reduced, an offsetting adjustment (impairment) may be made to the carrying value.

³ Where the carrying value of a controlled entity or associate exceeds the fair value an impairment expense is recognized during the period.

⁴ The profit on sale/ adjustments to carrying values of associates or controlled entities arise where the Group increases its equity in associates whereupon they became controlled entities or decreases its equity in a controlled entity and it becomes an associate (deconsolidated). As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in net profit. Such adjustments will only occur in future if further acquisitions or sales of this type are made.

⁵ Movement in value of the put option liability mainly due to the unwind of finance charges recognized in the accounts at present value.

⁶ Amortisation expense is a non-cash item.

APPENDIX 2 – MANAGEMENT RESULTS¹

MANAGEMENT PRESENTATION OF RESULTS	1H19	1H18	Variance	Variance
AUB RESULT CONTRIBUTION BY BUSINESS UNIT	\$ 000	\$ 000	\$	%
Australian Broking revenue	163,100	154,440	8,660	5.6%
Australian Broking expenses (including interest expense)	(120,153)	(115,242)	(4,911)	4.3%
Net profit - Australian Broking	42,947	39,198	3,749	9.6%
Profit attributable to other equity interests	(20,338)	(18,808)	(1,530)	8.1%
Australian Broking net profit	22,609	20,390	2,219	10.9%
New Zealand Broking revenue	22,318	18,180	4,138	22.8%
New Zealand Broking expenses (including interest expense)	(16,229)	(12,861)	(3,368)	26.2%
Net profit - New Zealand Broking	6,089	5,319	770	14.5%
Profit attributable to other equity interests	(2,903)	(2,539)	(364)	14.3%
New Zealand Broking net profit	3,186	2,780	406	14.6%
Underwriting Agencies revenue	28,718	25,833	2,885	11.2%
Underwriting Agencies expenses (including interest expense)	(21,539)	(19,697)	(1,842)	9.4%
Net profit - Underwriting Agencies	7,179	6,136	1,043	17.0%
Profit attributable to other equity interests	(2,097)	(1,568)	(529)	33.7%
Underwriting Agencies net profit	5,082	4,568	514	11.3%
Risk Services revenue	42,660	43,172	(512)	-1.2%
Risk Services expenses (including interest expense)	(39,199)	(35,446)	(3,753)	10.6%
Net profit - Risk Services	3,461	7,726	(4,265)	-55.2%
Profit attributable to other equity interests	(1,669)	(3,458)	1,789	-51.7%
Risk Services net profit	1,792	4,268	-2,476	-58.0%
Net profit before corporate income / expenses	32,669	32,006	663	2.1%
Corporate expenses	(8,017)	(8,176)	159	-1.9%
Corporate finance costs	(1,416)	(859)	(557)	64.8%
Corporate income	1,236	1,083	153	14.1%
Net corporate expenses	(8,197)	(7,952)	(245)	3.1%
Net profit before tax	24,472	24,054	418	1.7%
Income tax expense	(7,458)	(7,348)	(110)	1.5%
Adjusted NPAT	17,014	16,706	308	1.8%

¹ The financials in this table show a management view of the underlying performance of all investments, regardless of ownership level. Revenue and expenses includes all revenue and expenses of the underlying businesses, before considering non-controlling interests. This information is used by management and the board to review business performance.

APPENDIX 2a – MANAGEMENT RESULTS¹

MANAGEMENT PRESENTATION OF RESULTS	1H19	1H18	Variance	Variance
	\$ 000	\$ 000	\$	%
Australian Broking revenue	163,100	154,440	8,660	5.6%
Australian Broking expenses	(118,096)	(113,358)	(4,738)	4.2%
EBIT - Australian Broking	45,005	41,082	3,922	9.5%
New Zealand Broking revenue	22,318	18,180	4,138	22.8%
New Zealand Broking expenses	(15,035)	(11,784)	(3,251)	27.6%
EBIT - New Zealand Broking	7,283	6,396	887	13.9%
Underwriting Agencies revenue	28,718	25,833	2,885	11.2%
Underwriting Agencies expenses	(20,594)	(18,885)	(1,709)	9.0%
EBIT - Underwriting Agencies	8,124	6,948	1,176	16.9%
Risk Services revenue	42,660	43,172	(512)	-1.2%
Risk Services expenses	(39,032)	(35,264)	(3,768)	10.7%
EBIT - Risk Services	3,628	7,908	-4,280	-54.1%
Total revenue - operating entities	256,796	241,625	15,171	6.3%
Total expenses - operating entities	(192,757)	(179,291)	(13,466)	7.5%
Total EBIT - operating entities	64,039	62,334	1,705	2.7%
Corporate revenue	1,236	1,083	153	14.1%
Corporate expenses	(8,017)	(8,176)	159	-1.9%
EBIT - Corporate	(6,781)	(7,093)	312	-4.4%
Total - Group revenue	258,032	242,708	15,324	6.3%
Total - Group expenses	(200,774)	(187,467)	(13,307)	7.1%
Total- EBIT AUB Group before NCI (underlying EBITA)	57,258	55,241	2,017	3.7%
Interest - Australian Broking	(2,058)	(1,884)	(174)	9.2%
Interest - New Zealand Broking	(1,194)	(1,076)	(118)	11.0%
Interest - Underwriting Agencies	(945)	(812)	(133)	16.4%
Interest - Risk Services	(167)	(182)	15	-8.2%
Interest expense - Operating entities	(4,364)	(3,954)	(410)	10.4%
Interest expense - Corporate	(1,415)	(859)	(556)	64.7%
Total - Interest expense	(5,779)	(4,813)	(966)	20.1%
Profit before NCI	51,479	50,428	1,051	2.1%
Non - Controlling Interest (NCI)	(27,007)	(26,374)	(633)	2.4%
Adjusted Net profit before tax	24,472	24,054	418	1.7%
Income tax expense	(7,458)	(7,348)	(110)	1.5%
Adjusted NPAT	17,014	16,706	308	1.8%

¹ The financials in this table show a management view of the underlying performance of all investments, before adjusting for non-controlling interests. This information is used by management and the board to review business performance. Adjusted NPAT represents is after adjusting for non controlling interests.

APPENDIX 3 – CASHFLOW

CASHFLOW	1H19 \$ 000	1H18 \$ 000
Cash flows from operations	20,978	28,930
Cash flows from investing activities		
Acquisitions ¹	(5,538)	(13,497)
Acquisition of associate	(1,291)	-
Cash out from deconsolidation of of controlled entity	(1,501)	(4,413)
Sales proceeds	5,209	2,371
Plant equipment / other	(2,554)	(2,455)
	(5,675)	(17,994)
Cash flows from financing activities		
Dividends	(26,923)	(21,767)
Proceeds from share capital raising	113,270	-
Net borrowings/(repayments)	(68,397)	20,784
Payments for deferred settlements	(2,594)	(12,532)
	15,356	(13,515)
Net decrease in broker trust account cash	(3,888)	8,362
Net increase in cash	26,771	5,783
Note:		
¹ Acquisitions is made up of the following:		
Cash payment for acquisitions	(32,169)	(14,284)
Cash acquired (including trust)	26,631	787
	(5,538)	(13,497)

APPENDIX 4 – OPERATING SEGMENT RECONCILIATION

RECONCILIATION OF OPERATING SEGMENTS	Consolidated 1HY19			Consolidated 1HY18		
	Insurance Intermediary \$'000	Risk Services \$'000	Total \$'000	Insurance Intermediary \$'000	Risk Services \$'000	Total \$'000
Profit before tax and after non-controlling interests from:						
Insurance broking - Australia	22,609	-	22,609	20,390	-	20,390
Insurance broking - New Zealand	3,186	-	3,186	2,780	-	2,780
Underwriting agencies	5,082	-	5,082	4,568	-	4,568
Risk Services	-	1,792	1,792	-	4,268	4,268
Profit after tax and after non-controlling interests	30,877	1,792	32,669	27,738	4,268	32,006
Corporate income	1,236	-	1,236	1,083	-	1,083
Corporate expenses	(8,017)	-	(8,017)	(8,176)	-	(8,176)
Corporate interest expense and borrowing costs	(1,416)	-	(1,416)	(859)	-	(859)
	22,680	1,792	24,472	19,786	4,268	24,054
Tax	(6,942)	(516)	(7,458)	(6,030)	(1,318)	(7,348)
Adjusted NPAT	15,738	1,276	17,014	13,756	2,950	16,706
Less amortisation expense (net of tax and non controlling interests)	(2,082)	-	(2,082)	(2,003)	-	(2,003)
Less contingent consideration adjustments booked by associates net of non controlling interests ¹	-	-	-	(170)	-	(170)
Profit on sale of portfolios by associates net of tax ¹	202	-	202	898	-	898
Fair value adjustment included in profit from associates	81	-	81	-	-	-
Non controlling interests on profit on sale of insurance broking portfolios	(368)	-	(368)	-	-	-
Less capital gains tax on deconsolidation of controlled entities	(406)	-	(406)	-	-	-
Less capital gains tax adjustments relating to sales of portfolios by controlled entities ²	(558)	-	(558)	(254)	-	(254)
Profit after income tax and non controlling interests (refer Annual Report note 23 Operating Segments)	12,607	1,276	13,883	12,227	2,950	15,177

¹ This includes adjustments to profits on portfolio sales net of tax expense and contingent consideration adjustments booked by associates and included in note 4 (iii) of financial statements.

² This includes tax expense adjustments on portfolio sales, net of non controlling interests.



THANK YOU

