25 August 2020

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

FOR RELEASE TO THE MARKET

Dear Sir / Madam,

Re: Presentation notes supporting AUB Group Results for the Full Year Ended 30 June 2020

AUB Group Ltd (ASX:AUB), Australasia's largest equity based broker network, hosted a conference call and webinar on Tuesday 25th August 2020 at 10:30am AEST.

CEO and Managing Director Mike Emmett and CFO Mark Shanahan discussed AUB Group's FY20 Results and AUB's FY21 execution priorities and guidance.

Attached is a summary of the speaking notes supporting the presentation provided to the ASX this morning.

ENDS

This release has been authorised by CEO and Managing Director Mike Emmett.

For further information, contact David Franks, Company Secretary, on +61 2 8098 1169 or david.franks@automicgroup.com.au.

About AUB Group
AUB Group Limited is Australasia's largest equity-based insurance broker network driving approximately A$3.4 billion GWP across its network of 94 businesses, servicing 700,000 clients and over one million policies across more than 450 locations.

25 August 2020

AUB Group FY20 Results – Presentation Notes

The call started with a summary of FY20 performance from Mike Emmett before handing over to Mark Shanahan to run through detailed results. Mike continued with an update on FY20 Strategic Priorities and concluded with the plan and outlook for the year ahead.

Cover – Opening [Michael Emmett]

- FY20 was an important year for AUB Group. Following a disappointing FY19, we set out to not only improve the short-term financial performance of the Group but also to put in place strategies to enable the Group to achieve strong double-digit growth in Underlying NPAT for the medium and long term.
- Covid-19 has had only a muted impact on the business although we have been very sensitive to the effect of the pandemic on our teams and our clients and have taken a variety of actions to assist them wherever possible.

Slide 2 – Key Messages [Michael Emmett]

- Pleased to report that we performed very well and made good progress against our objectives during FY20 as reflected on Slide 2. Our Underlying NPAT of $53.42m grew by 15.2% from FY19, our strongest growth in profit since 2013. Both organic and acquisition growth were strong contributors complemented by the benefits of our profit improvement plan which focused on Head Office costs in FY20.
- The acquisition of BizCover has performed well, contributing $1.8m towards FY20 Underlying NPAT before taking into account increased corporate funding costs and JobKeeper receipts.
- Outlined a set of execution priorities for the year at the beginning of FY20 – made pleasing progress, and we will continue focusing on them for FY21.
- The momentum from these priorities as well as the resilience demonstrated in the business enables us to provide guidance for FY21. Based on our forecasts we expect to achieve Underlying NPAT for FY21 in the range of $58.5m to $61.0m representing growth of 9.5% to 14.2% on FY20.

Slide 3 – FY20 Financial Performance: Overview [Michael Emmett]

- Slide 3 waterfall shows key elements that have resulted in the improved performance.
- Organic and acquisition performance is covered in more detail later in the slides. Key elements to highlight:
    - The organic growth of $4.1m was reduced by a further $4.1m due to the impact of lower interest rates, AASB16 Lease adjustments and increased STI.
    - The profit improvement programme delivered $1.5m in savings during FY20 representing full year benefits of $2.8m
    - Technology investments reduced the UNPAT by $0.8m.
    - JobKeeper receipts increased profits by $1.3m and these are separately reflected. The majority of these receipts relate to Procare and BizCover.
    - Impact of $1.8m of items that could be considered one-off costs namely redundancy costs incurred during the year and an increase in our lapse provision to account for the current economic uncertainty.

Slide 4 – FY20 Financial Performance: Divisional [Mark Shanahan]

- Slide 4 summarises the FY20 Divisional Performance including revenue, EBIT margin and attributable Profit Before Tax for each of our operating divisions - highlight the improvement in EBIT margins for Australian Broking and for Health and Rehabilitation.
- Australian Broking division performed strongly, delivering growth of 14.6% in pre-tax profit, underpinned by a pleasing improvement of 130 basis points in Underlying EBIT Margin.

- The margin improvement is a result of our ongoing focus on organic growth and increased business efficiency, plus
    - the impact of our 40% investment in BizCover, as well as
    - an increase in Commercial Lines insurance premiums.
- New Zealand performed well, delivering a 31.9% increase in pre-tax profit which was in part due to the full-year impact of our additional 50% acquisition of BWRS in FY19.
- The Agencies division was profitable and the majority of businesses in the division performed well. However this was offset by ongoing weakness in Strata together with the impact of COVID-19 on the Hospitality industry.
- In response, we have implemented a series of initiatives to enhance performance which have made good progress and we anticipate seeing the benefits flow through in FY21.
- A strong focus on Health and Rehabilitation Services in FY20 resulted in a significant uplift in the performance of the division with improvements in revenue and a sharp reduction in expenses.
- We exited our investment in Allied Health on the 1 April 2020 and we are very pleased with the progress made to transform the performance of Altius, which has strong momentum entering FY21.
- Not specifically reflected on this slide but the strategic priority to streamline our head-office and reduce costs has so far delivered an annual run-rate benefit of $2.8mn after tax, complementing our divisional performance, with further benefits to be delivered in FY21.

Slide 5 – COVID-19 Impact & Response [Mark Shanahan]

- As we are all aware, 2020 has been a difficult year so far for the economies in which we operate and more broadly. At AUB we have been comforted by the innate resilience of our Australian and New Zealand businesses.
- The diversity of our businesses and our client base combined with our financial strength has meant we have been able to provide a robust response to the impacts of the COVID-19 pandemic and this is reflected on slide 5.
- Our clients placed their trust in us which is reflected in a historically high premium retention rate of 92% and in the past few months there have been substantial increases in enquiries from new clients and new brokers.
- We remain highly cash-generative with a strong balance sheet to support our growth aspirations.
- We have not been complacent about the difficulties that COVID-19 is causing for our people, our network, and the communities in which we operate.
- Across our network we have prioritised retention of staff, ensuring that they are kept secure and employed.
- We are also pleased at the efficient way in which our teams and systems seamlessly transitioned to a work-from-home model. We have embraced the new normal and implemented a 4/1 work from home trial enabling teams to collaborate in the office one day per week. For many we anticipate this will become their new default.
- A range of technologies including workstation booking and dynamic staff engagement tools together with policies that enable teams to receive financial incentives mean our people are working productively whilst sharing in the savings the company will experience.
- Our aim is to fundamentally change how staff engage and how we engage with our clients by using technology more creatively than ever before. We envisage that our physical footprint will continue to reduce providing further opportunities to make investments in people and technology and reduce premises spend.

Slide 6 – AUB Corporate Cashflow Overview [Mark Shanahan]

- Slide 6 provides detail on the cash movements of the AUB corporate entity – strong operating cashflow of 50.6mn.
- Notably, the Group's Balance Sheet remains strong as we:
    - ensured that debtors books remained clean, prudently managed capital in response to an uncertain business environment

- and increased our long-term corporate debt facility by $100mn.

- At the end of FY20 we had access to $94mn of cash and debt
- The strong cash flow generation as well as access to our cash and debt facilities positions us strongly to fund organic growth initiatives and disciplined acquisitions in FY21.

Slide 7 – Shareholder Returns [Mark Shanahan]

- As a business, we are committed to improving returns for our shareholders.
- We can see that the Group's Underlying EPS grew by 8.7% in comparison to FY19 with the 15.2% year on year growth in Underlying NPAT partially diluted by the full-year impact of the equity issuance in FY19.
- The Board has declared an increased final dividend of 35.5 cents per share giving an 8.7% increase in total dividend for FY20 to 50.0 cents per share.

Slide 8 – FY20 Execution Priorities Update [Michael Emmett]

- Slide 8 lists the Execution Priorities outlined at the start of FY20 and progress against these has been strong.
- In addition to the BizCover investment, we made several other bolt-on acquisitions and varied our shareholdings with existing AUB network members.
- Our focus and progress on leveraging technology as a key strategic driver is well underway discussed further on slide 10
- Please refer to profit improvement plan at head office notes above on progress for item 3 with reference to the Profit Improvement plan – see below for an update on items 4, 5 and 6
- Item 4. Our approach to pairing and merging businesses within the AUB network has led to a number of consolidations and we are already seeing improved margins from this strategy. In FY20 we had 94 distinct businesses in the network. The actions we have put in place will mean that by the end of FY21 this number will have consolidated to ~75 operating units, enabling us to increase scale, improve efficiency, and enhance our specialty offerings for clients and staff.
- Item 5. The restructure of Risk Services and the resultant attention on the Health and Rehabilitation businesses resulted in a significant uplift in the performance of the division. As part of this, we realigned Procare with Australian Broking to enhance our core claims proposition, exited Allied at the start of Q4 and made strong progress with the evolution of Altius. The division has achieved improvements in revenue and a disciplined reduction in expenses during FY20 and has strong momentum entering FY21. As previously mentioned, we anticipate exploring options regarding our investment in Altius during FY21.
- Item 6. We have worked closely with our Insurance partners to enhance our proposition for clients. In addition to new arrangements for ExpressCover agreed with six insurers, we have also announced two significant new agreements with two of our major insurance partners to provide much improved benefits to clients and brokers.

Slide 9 – Acquisitions Overview - BizCover [Michael Emmett]

- Our investment in BizCover has positioned us for success in the attractive Micro-SME segment. Although this segment was impacted in the early stages of COVID-19, it has also been the first segment to respond positively as COVID-19 uncertainties have waned.
- The investment in BizCover has also enabled us to secure the technology that under-pins our ExpressCover platform.
- BizCover has performed well since acquisition and was accretive in FY20. We are seeing strong performance in BizCover and anticipate that the investment will prove to be accretive in FY21 and strongly accretive in future years.

Slide 10 – Expanding our technology agenda [Michael Emmett]

- Slide 10 summarises our technology progress during FY20.
- The launch of ExpressCover, our new high-volume quote platform, and Sentinel, our new underwriting agency system promise significant improvements in process efficiency and an enhanced user experience for the benefit of both customers and AUB teams.
- These systems are already live with 25 brokerages already using ExpressCover to bind policies and Sentinel already in use on a day-to-day basis in two agencies, piloted in a third agency, with further rollouts scheduled for the rest of this year.
- In addition, we have leveraged improvements to our core broking platform, CBS, made by individual members of our broking network over the years and have now rolled these out to the benefit of other members of the network.

Slide 11 – FY21 Priorities – Evolving our focus [Michael Emmett]

- As shown on slide 11 our focus for FY21 is to continue the momentum built in each of these areas to deliver further benefits to improve the Group's profitability.
- Given the progress with Risk Services and the Health and Rehabilitation businesses, we have replaced item 5 with a new focus to improve the performance of the Insurance Agencies Division.
- Additionally, we'd like to highlight a very recent bolt-on acquisition that we've completed. Effective 1 August, we acquired 73.15% of Experien. Experien is a specialty Life and General Insurance Broker focused on the Medical and Dental professions. This is not a material acquisition and so we would ordinarily not disclose this however we thought it useful given the timing of the transaction and that part of the consideration is for AUB scrip.

Slide 12 – FY21 Outlook and Guidance [Michael Emmett]

- We exited FY20 with strong momentum and are seeing early evidence of this continuing in FY21. As described on slide 12, we are currently projecting Underlying NPAT for FY21 of between $58.5m and $61m, representing growth of 9.5% to 14.2%.
- This guidance is based on the following assumptions:
  - Premium Rates will increase in the range of 5% to 6%
  - COVID-19 impacts on the economy and AUB Group will be the same as the impact felt during the second half of FY20.
  - We will continue to make smaller bolt-on acquisitions and vary our shareholding in members of the AUB network.
  - Major acquisitions which are material to the Group's results are excluded from this guidance range and will be specifically disclosed if and when they occur.
  - June 2021 is a significant period for renewals for the Group. We are assuming that renewals in this period will perform in line with historical performance.

Closing remarks [Michael Emmett]

- We exited FY20 with strong momentum and are seeing early evidence of this continuing in FY21.
- The AUB of 2020 has more to offer current and prospective members of our network and our diverse set of clients.
- A continuation of a firming premium rate cycle, additional cost reduction opportunities, the increased take up of our new technology platforms and enhanced insurer agreements will enable improved income in our operating entities creating a platform to deliver consistent, double-digit underlying profit growth for the foreseeable future. We are a fitter and more complete organisation than ever before and are confident that the Group is well placed for continued accelerated growth in FY21 and future years.