22 February 2022

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

FOR RELEASE TO THE MARKET

Half Year FY2022 Results - Investor Presentation Speaking Notes

Please find attached for immediate release in relation to AUB Group Limited (**ASX: AUB**) the following document:

- Half Year FY2022 Results – Investor Presentation Speaking Notes.

ENDS

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

For further information, contact Richard Bell, Group General Counsel and Company Secretary, on +61 2 9935 2222 or richardb@aubgroup.com.au.

About AUB Group
AUB Group Limited is an ASX200 listed group comprising insurance brokers and underwriting agencies operating in ~500 locations across Australia and New Zealand. Over 3,000 team members work with our 850,000 clients to place more than $4.0bn in insurance premiums with local and foreign insurers.

AUB Group Half Year FY2022 Results – Presentation Speaking Notes

Slide 2 – Key Messages [Michael Emmett]

- AUB Group has enjoyed another strong trading period during the first half of FY22 – all components of the business are performing at or above expectation with particularly strong results and momentum in the Agencies Division
- Disciplined execution of our growth and profitability strategies driving performance
- In the presentation, we will continually refer consistently to Continuing Operations, meaning the underlying financial results adjusted to exclude Jobkeeper receipts in the prior period and contributions from Altius, the last of the Health and Rehabilitation businesses sold in FY21. We highlight this measure because it provides a true, like-for-like comparison to past performance

Slide 3 – Financial Highlights – Continuing Operations [Michael Emmett]

- Slide 3 shows a summary of the financial results from Continuing Operations for the first half of FY22
    - Underlying Revenue for the Group grew by 14.9% to $327.2m;
    - EBIT margin expanded further to 31.2%; and
    - Underlying Net profit after tax increased by 16.7% to $30.6m.
- The interim DPS is being increased by 6.3% to 17cents per share

Slide 4 – 1H22 Financial Performance: Overview [Michael Emmett]

- Slide 4 uses a waterfall chart to describe the main changes between 1H21 and 1H22 - Underlying Net Profit after tax for 1H21 excludes $1.8m of JobKeeper Receipts and $2m of Altius profits received in the prior period.
- 1H22 underlying profit growth was a result of:
    - Strong organic growth of 10.3%;
    - 10.3% profit growth from acquisitions; while
    - New technology spend for Project Lola in New Zealand, which will continue for the next 18 months, diluted the underlying growth rate by 3.8%.

Slide 5 – 1H22 Divisional performance [Michael Emmett]

- Australian Broking profit of $38.3m grew by 16.6%, supported by revenue growth of 8.8% and a continued expansion in EBIT margin to 31.1%
- BizCover continued its strong performance in the first half
    - Revenue grew 24.2%, the EBIT margin expanded to 37%, and profit grew by 26.7%;
    - Revenue growth in the first quarter was slower than expected, however, the business did experience a strong second quarter.
- The Agencies Division has been the stellar performer of the first half
    - Revenue growth of 58.2%, significant margin expansion of 520bps to 32.6%, and underlying profit growth of 82.9%;
    - While this was largely planned for and expected, the business has performed above expectation with strong momentum into the second half.
- Profits from New Zealand Broking shrank by 20.6% to $3.5m

AUB Group Limited

Level 14, 141 Walker Street
North Sydney NSW 2060

ABN 60 000 000 715
ACN 000 000 715

aubgroup.com.au

- This result was significantly impacted by the cost of Project Lola, the new technology replacement project currently underway in New Zealand;
- Excluding the cost of Project Lola, we are seeing positive momentum building in the business with Revenue growth of 4.7%, margin improvement to 31.5%, and profit growth of 8.9% to $5.7m;
- Improving results in New Zealand is a key strategic priority for FY23 – there is more upside potential than these results reflect.

- Overall, profit from the operating divisions grew by 20.9%, or an even stronger 23.5% if you exclude the costs of Project Lola

Slide 6 – FY22 Priorities [Michael Emmett]

- These results are not an accident, and I credit our teams and their unrelenting focus to execute on the strategic priorities
- These priorities will look very familiar – apart from the priority to reinvigorate agencies, they are essentially unchanged from those we listed at the start of FY20 and are a primary reason for our performance improvement over the past few years.
    - Optimising our network by merging businesses and portfolios for scale and specialisation while investing thoughtfully in complementary businesses that expand our scale or capability have been key to our success in both Broking and Agencies, resulting in increased revenue and improved margins;
    - A focus on buying and building technology solutions that aid our networks to efficiently place business for clients while delivering high-quality advice and service has paid significant dividends, and our technology journey is underway with more to come. Investments in BizCover for direct SME customers, the rollout of ExpressCover to Austbrokers and Sentinel to Austagencies, the current development of Lola for NZbrokers combined with our recent acquisition of iaAnyware, a market-leading broker management solution, give us the building blocks for a world-class portfolio of insurance technology solutions. Lisa Woodley, a well-respected and highly experienced Broking technology executive, is leading the task of turning these building blocks into an integrated set of solutions for our network members;
    - Enhancing our partner proposition is key to our model and success. We continue to build services that add value to our networks including complex and offshore risk placements, enhanced Insurer commercial arrangements, premium funding offerings, risk and compliance support, technology infrastructure, learning management services, group insurance schemes, and technical insurance product support. These services are tremendously valuable and are offered exclusively to our networks.

Slide 7 – Australian Broking [Mark Shanahan]

- Australian Broking continues to perform well
- Austbrokers General Insurance Commissions are 12.4% higher than the first half of FY21 with approximately 8.1% resulting from premium rate increases. We observed premium rate increases across our GI portfolio of approximately 9% in the first half of FY22 compared with the first half of FY21
- The early rollout of the strategic priorities has built strong multi-year momentum. We continue to optimise the network, such as with the further merger of WRI into Comsure to continue the expansion of our motor dealership broking scale and expertise, and Nexus Risk is becoming part of Insurance Advisernet. Targeted

bolt-on acquisitions have also assisted such as Vaughan & Monaghan into Finsura and Gibbscorp into SRG Group.

- The take-up of ExpressCover and other group services have further assisted top-line performance
- Our recently launched non-equity network, The Insurance Alliance, is a new growth avenue for AUB. While we don't own equity in these firms, we provide value-added services for fees and now support six non-equity brokerages

Slide 8 – BizCover [Mark Shanahan]

- Ongoing strong performance in BizCover – revenue and profit growth continued, growing by 24% and 27%, respectively, compared with the first half of FY21
- The business delivers exceptional service to customers with NPS scores consistently >70
- The range of opportunities for this business is excellent. The challenge now is not about identifying new opportunities but rather how best to prioritise and sequence them
- BizCover has built a strong moat. Despite the impact of lockdowns over the past year, BizCover has continued to grow customer numbers at ~25% to 30%
- BizCover's moat will be further strengthened by the investment over the past few years in its new technology platform, Blaze, that is ready for wider rollout. Blaze is already in production for specific customers and is the technology underpinning the launch of Business Insurance Made Easy (Bi-me), the new joint venture with Hollard and Discovery in South Africa. Blaze enables a much faster and cheaper path to launch products & add new insurers and offers a more powerful digital rating engine to support product pricing

Slide 9 – Agencies [Mark Shanahan]

- Slide 9 describes the marked improvement in Agencies during the first half of FY22
- Our Agency strategy is underpinned by three elements; scale, focus, and network penetration. During financial year 21, we first spoke about our plans for Agencies, describing our ambition to build an Agency division with Gross Written Premium in excess of $1bn and comprising three 'legs' namely General Commercial, Specialty, and Strata
  - Our initial focus has been on General Commercial, utilising the investment in 360 Underwriting as the 'platform' to build out this area. The investment in 360 Underwriting has been excellent. They are a talented and motivated senior team and are driving strong growth and profit outcomes. Following our initial investment in December 2020, we've transitioned five existing Austagencies into 360, while 360 have separately launched a new Landlords agency and acquired two new agencies, TLC in New Zealand and Anchorage Marine in Australia;
  - More recently, we've focused on the Specialty Agencies, where we've launched new Bloodstock and Technology Risk agencies;
  - In Strata, our short-term focus has been to consolidate our interests by selling one agency and ceasing another. Longer term, we need to add scale for this business to deliver the required returns.
- The result of all these actions has been to increase the Gross Written Premium of AUB Agencies to $562m for Calendar Year 2021, an increase of 62% on Calendar Year 2020
- We now have a portfolio of agencies that operate more efficiently with consequential margin improvements
- Over the same period, Austbrokers share of Austagencies placement grew to 42% with an additional $100m of premium placed in CY21 through Austagencies. Despite this significant improvement, we are confident of

considerable further growth in Agencies which will be achieved by increased usage of Austagencies together with the utilisation of existing and increased binder capacities. This, together with the ongoing opportunity to acquire agencies and to work with offshore brokers and Lloyds syndicates, provides us with a promising growth potential

Slide 10 – New Zealand Broking [Mark Shanahan]

- New Zealand Broking results are mixed with key positive and negative components reflected on this waterfall chart
    - As foreshadowed, profits have continued to deteriorate in our largest broking business, BWRS. A multi-year remediation program is well-underway under a new management team, with results in this business showing a slightly positive trend in recent months;
    - The other New Zealand broking businesses are performing strongly;
    - Project Lola costs had a significant impact on profit. We are investing a further NZ$7.8m over the next two years in Lola. It's a key pillar in our strategy to improve growth and add value and efficiency in New Zealand.

Slide 11 – AUB Corporate Cash Flow and Funding [Mark Shanahan]

- Operating cash of $13.5mn was generated and the Group's Balance Sheet remains strong
    - Dividends received were $33.2mn. The prior corresponding period dividends received were higher due to a one-off completion dividend of $10.3mn from the sale of Altius;
    - The corporate expense cash outflow for the half was $19.7 vs $11.1m in the prior corresponding period due mainly to increased corporate insurance costs;
    - The first half cash flow includes the financial year 21 final dividend of $29mn, which was $4.4mn higher than in the prior corresponding period;
    - At the end of the first half we had access to $74.5m of cash and debt. Our gearing ratio was 30.9% and leverage 2.14:1, both well within covenant requirements of 40% and 3:1 respectively.
- Our ongoing cash generation and balance sheet strength position us strongly to continue funding organic growth initiatives and disciplined acquisitions in 2H22.

Slide 12 – Shareholder Returns [Mark Shanahan]

- The Group's Underlying Earnings Per Share from continuing operations grew by 16.2% in comparison to 1H21, after excluding last year's non-recurring JobKeeper receipts and the Altius divestment
- Including JobKeeper receipts and the Altius income in the prior corresponding period sees Underlying EPS growth increase 1.68% to 41.47cents per share
- Further detailed financial and business information is included in the appendices to our presentation

Slide 13 – Strategic Focus on Profitability [Michael Emmett]

- Having improved the underlying performance of our key businesses for several reporting periods, it's a fair question to ask, is there more margin potential in AUB?
- On Slide 13, we've summarised our view of the target margins across our businesses, how these compare with the margins we achieved in 1H22 and how we've improved these since 1H19

- Notably, we still see opportunity to improve margins across the enterprise with significant upside potential in Agencies and New Zealand Broking – there is a lot more to go, and the key to achieving these goals is the continued progress with our strategic initiatives

Slide 14 – FY22 Outlook [Michael Emmett]

- We are increasing our guidance for FY22 Underlying Net Profit after tax to be in the range of $72m to $74m. Previously this was $70m to $73m
- For the second half, this translates into UNPAT of $41.4m to $43.4m, representing growth in UNPAT from continuing operations of 20.7% to 26.5%.
- We have included two waterfall charts on the slide; on the left we show the expected full year movements from FY21 to our outlook for FY22 while on the right we break down the second half outlook compared with the second half of FY22 showing our forecast expectations for 2H22.

Closing [Michael Emmett]

- We continue to make substantial progress on our strategic initiatives, with tangible benefits flowing through to revenue, margin, and profits
- Much remains to be done, and we have a significant opportunity ahead of us:
    - We're still in the early stages of our journey to build out Agencies and transform New Zealand Broking;
    - In addition, the benefits from leveraging our scale to optimise insurance placements locally and abroad are substantial and largely untapped;
    - At the same time, the opportunities presented by our technology assets are likely to drive long-term performance improvements.