PSC INSURANCE GROUP

PSC Insurance Group Limited

2018 RESULTS ANNOUNCEMENT

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Key financial highlights in 2018 for PSC were:

- Underlying revenue was up 24% on the prior corresponding period (pcp) to $101.1 million.
- Underlying[1] earnings before interest, tax, depreciation and amortisation (EBITDA) up 30% on the pcp to $37.0 million.
- Underlying EBITDA margin up from 35.0% to 36.6%.
- Underlying net profit after tax and before amortisation (NPATA) up 31% on the pcp to $24.2 million.
- Statutory net profit after tax up 39% on the pcp to $27.8 million.

It has been another active and successful year for the Group. The underlying earnings growth has again been due to a healthy balance between organic improvements and acquisition based initiatives. Key operational highlights have included:

- Organic growth in underlying EBITDA of 18%,
- Continued enhancement in our client proposition. In particular:
  - Our workers compensation consulting business has expanded and continues to add value to our clients,
  - We have expanded our digital platforms,
  - We have a nationwide 24/7 emergency assistance service,
  - Continue to invest in our claims service and
  - have increased our compliance resources.
- Completing and integrating 3 broking businesses into our existing operations in Canberra, Melbourne (Moorabbin) and Gold Coast respectively. These are all performing to expectation.
- Completing the acquisition of the medical and healthcare specialist broker and underwriting agency IMGA and Medisure. This was predominantly a Qld based business and we see good growth opportunities to develop this expertise into a national presence. This process has commenced.
- We announced the acquisition of 70% of Turner Insurance Services, a Leicester, UK based retail commercial insurance broking business. This style of business is core to our operations in Australia and we see as a natural strategic progression for the Group. This completed post balance date.
- We commenced operations in the UK to expand our successful Chase Underwriting business in Australia.
- Rohan Stewart was formally appointed as the Group CEO. This appointment recognised the principal operational role Mr Stewart has been fulfilling for a number of years. Additionally, six divisional CEO roles have been formalised reporting to Mr Stewart across key areas of the businesses including Broking, Agency, Network, Franchise, UK and Compliance/Governance.

Outside of the core operational businesses, the Group now has a meaningful collection of investments:

- The Johns Lyng Group had a successful IPO during the period and this resulted in a fair value gain in excess of $17 million. This was a fabulous result for the shareholders.
- We announced an investment in BP Marsh & Partners plc (BPM). This completed after balance date and the Group holds a 19.6% ownership position. BPM has been a very successful investor in insurance intermediation businesses for over 25 years and has been listed for over 13 years. We expect to collaborate where appropriate and expect over time the investment will expand the Group's international horizons and opportunities.
- We will complete a fit-out of the East Melbourne headquarters in the coming months and anticipate that the value of the asset has increased solidly since purchase approximately 2 years ago.

Post balance date, the collective book equity value of these investments is approximately $60 million. Whilst we do not expect this to grow materially, we do expect that the results with these assets will over time be for the benefit of the core operating businesses. Any fair value revaluation of these investments will not be included in our core underlying EBITDA.

1 Underlying EBITDA adjusts for one off fair value gains of $17.3m, largely relating to Johns Lyng Group increase post their IPO in the period, one-off receivable write-downs of $6.6m relating to APG and miscellaneous one off costs of $2.3m relating to a combination of deferred consideration adjustments ($1.4m) and transaction related costs.

2018 RESULTS ANNOUNCEMENT (continued)

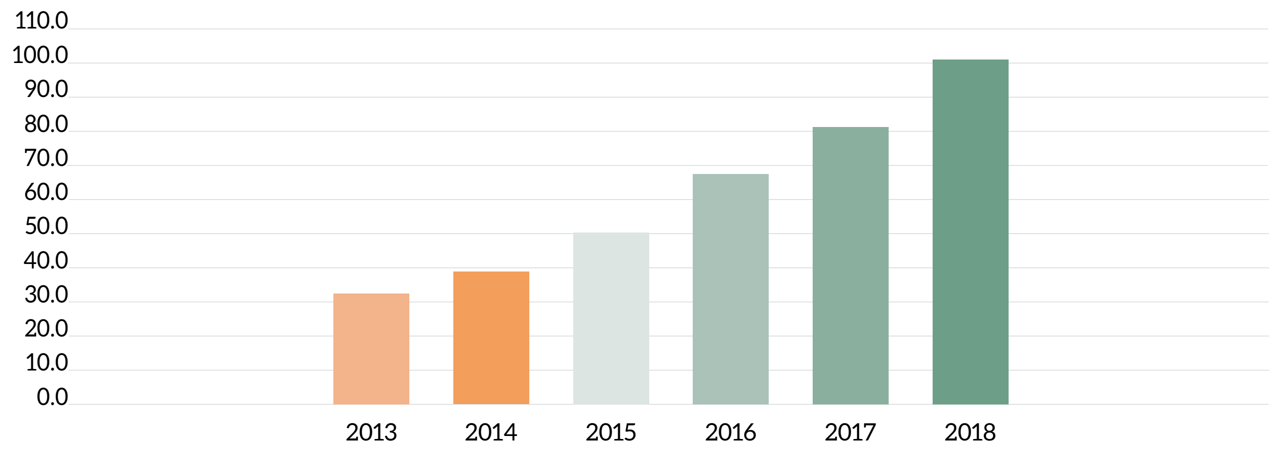
We have undertaken a strategic review of Alsford Page & Gems (APG) in the UK. As a result, management has changed and we have sold the renewal rights to our clients in specific areas of Africa (refer to Note 32: Subsequent Events) and re-oriented the business towards U.S. clients. A provision of $3.9 million has been taken on predominantly African receivables and an unfavourable foreign exchange revaluation of $3.0 million recognised relating to predominantly African receivables (both non-cash items).

We believe these changes place APG on a sound footing to recover and be a solid contributor for the Group over the medium term.

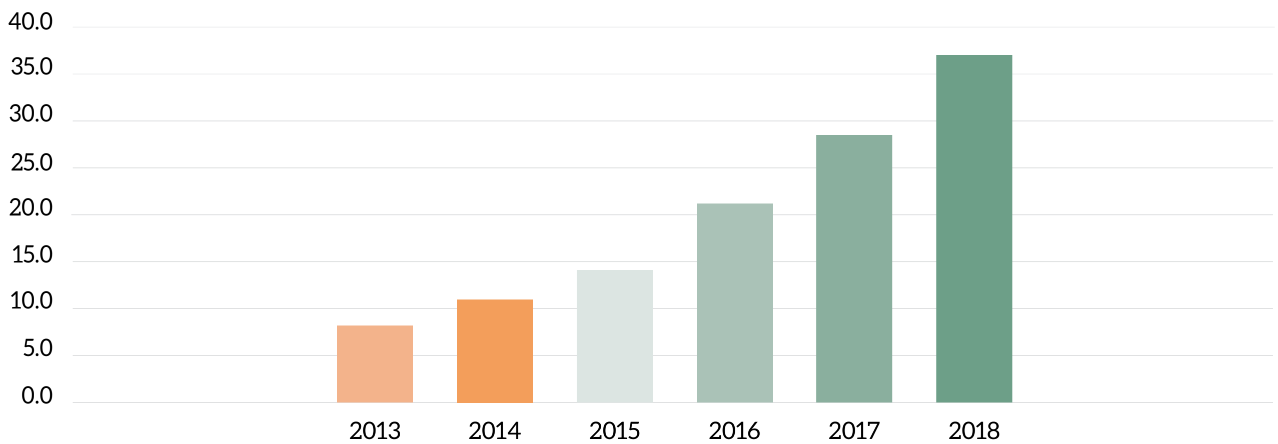
Financial Performance

The underlying financial performance of the Group over the last 5 years is summarised below:

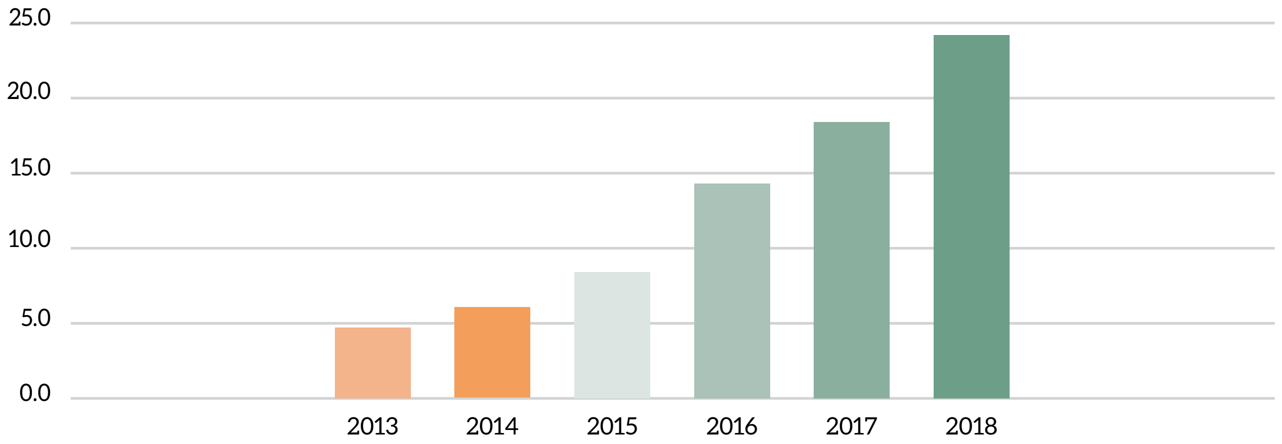
UNDERLYING REVENUE



UNDERLYING EBITDA



UNDERLYING NPATA

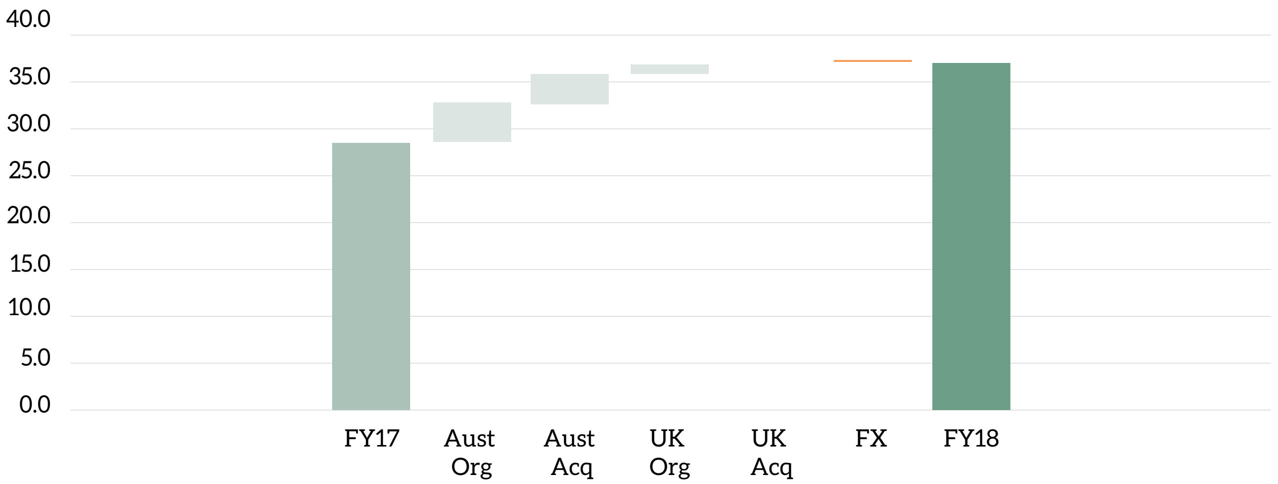


The underlying compound annual growth rates over this period have been:

- Revenue: 26%.
- EBITDA: 35%.
- NPATA: 39%.

We are pleased with the financial year 2018 results, which are outlined more closely below:

UNDERLYING EBITDA



Underlying EBITDA has increased from $28.5 million to $37.0 million. This represents 30% growth, categorised as follows:

- Organic growth: 18.0%.
- Acquisition led growth: 11.3%.
- FX movements: 0.7%.

2018 RESULTS ANNOUNCEMENT (continued)

The components of these results are:

- Organic EBITDA growth in the Australian operations was $4.2 million. The Network (PSC Connect) and Agency businesses (particularly Chase Underwriting) have performed particularly strongly. The Broking operations have produced solid organic results for the year, with growth in the second half evident.
- Incremental acquired EBITDA growth in the Australian operations was $3.2 million. This reflects a full annualised contribution of the acquisitions completed in financial year 2017 and part contribution for the businesses purchased in the current period. In particular, the contributions have been from Insurance Solutions (bolt in to SE Melbourne Broking and 5 months contribution), RP Hoxton Park (bolt in to Newcastle Broking and incremental 10 months contribution), Riley & Associates (bolt in to Gold Coast Broking and 9 months contribution), Capital (bolt in to Canberra Broking and 5 months contribution), IMGA (10 months contribution), OIB (incremental 11 months contribution) and MIA (10 months contribution). Collectively these businesses are performing slightly ahead of expectations.
- Organic EBITDA growth in the UK was $1.0 million. The Breeze Underwriting UK and Carroll Holman Lloyd's broking businesses had strong results, and the Chase UK business contributed a profitable result in its first 3 months of trading. Excluding the non-recurring charges outlined, the underlying contribution of APG was down by approximately $0.4 million.
- FX impact on the underlying EBITDA was largely immaterial, making a positive contribution of approximately $0.2 million, given a 3% strengthening in the average sterling rate over the period.

Underlying NPATA and Statutory NPAT:

A reconciliation between underlying NPATA and statutory NPAT is as follows:

($m)	2014	2015	2016	2017	2018
Statutory NPAT, incl NCI	**6.7**	**8.7**	**10.8**	**20.0**	**27.8**
Amortisation	0.2	0.2	0.5	0.7	1.1
Tax Adjusted Impact of Revenue and Expense Adjustments	(0.9)	(0.5)	2.4	(2.3)	(4.7)
IPO Interest Adjustment	0.0	0.0	0.7	0.0	0.0
Underlying NPATA	**6.0**	**8.4**	**14.4**	**18.4**	**24.2**

Underlying NPATA of $24.2 million adjusts the statutory NPAT of $27.8 million to reflect:

- The non-cash amortisation charge.
- The after tax adjusted fair value gain on Johns Lyng of approximately $12.0 million.
- The after tax adjusted cost of the charges taken with APG of approximately $5.6m million.
- The after tax adjusted cost of the deferred consideration accounting charges ($1.1 million) and transaction costs ($0.6 million) of approximately $1.7 million. The majority of the deferred consideration accounting charge has been the good performance of the online travel insurance business.

Balance Sheet:

The balance sheet is in a sound position.

The Group raised gross equity capital of $55 million in November. At balance date the Group had deployed approximately $10 million of these funds, and post balance date deployed a further $33 million on the BP Marsh investment.

During the period, the Group extended its Australian debt facility limits from $55 million to $80 million, with $38 million is unused capacity at balance date. We extended our UK debt facility post balance date to complete the Turner acquisition.

The liquidity position of the Group is sound and the cash conversion for the period has been good.

Dividends:

The Chairman announced an increased final, fully franked dividend to 4.5 cents per share, bringing total dividends for the financial period to 7.2 cents per share. This is an increase from 6.0 cents per share for the financial period 2017 (increase 20%) and from 3.7 cents per share for the financial period 2016 (increase 95% over 2 years).

This represents a payout ratio of approximately 73%, based on underlying NPATA.

Summary and Outlook:

2018 was a good year. The Group's organic growth in the operating businesses has been very good and we have completed on a number of acquisitions that have performed well. During the year and post balance date, we now have a material amount of capital in various non-operating investments. We expect that these will serve the operations well over time.

We are well placed for financial year 2019 and are confident we can continue to grow the Group for all stakeholders.

Beyond this, the Board and Senior Management remain highly invested in the future of the Group and are focused on continuing to grow the business in an efficient manner and are confident the business will continue to improve over the medium term.

Please direct any queries to Joshua Reid, Chief Financial Officer, on (03) 8593 8303

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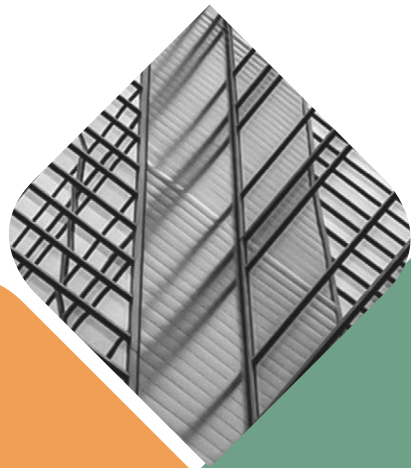

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