

25 July 2019

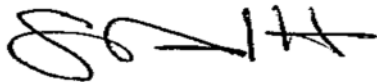
Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

PSC INSURANCE GROUP LTD (PSI) – INSTITUTIONAL PLACEMENT PRESENTATION

Please find following the presentation slides used for our institutional placement of shares referred to in our earlier announcement regarding the acquisition of Paragon Insurance Holdings Ltd and institutional share placement.

Please direct any queries to Tony Robinson, Managing Director, on 0407 355 616 or Joshua Reid, Chief Financial Officer, on (03) 8593 8303.

Yours faithfully



Stephen Abbott

Company Secretary



Acquisition Update & Institutional Placement

July 2019



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Non-IFRS financial measures

Recipients should note that certain financial data included in this Document is not recognised under the AAS, and is classified as ‘non-IFRS financial information’ under Regulatory Guide 230 ‘Disclosing non-IFRS financial information’ published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of PSC. The non-IFRS financial measures do not have standardised meanings under AAS, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with AAS. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Document.

Overview

- PSC Insurance Group Ltd (ASX: PSI) has continued to build a strong business throughout FY19. Based on FY19 guidance of \$43m underlying EBITDA, underlying earnings have tripled in 4 years.
- Strong business fundamentals with blue chip clients, great people, recurring style revenue and established proven systems and processes.
- Simple and delineated organisational structure and business model providing a clear and concise business strategy.
- Organic and acquisitive growth strategy driving business performance into the future.
- Two quality acquisitions:
 - Paragon Insurance Holdings Ltd (Paragon) – SPA expected to be executed for the acquisition on 24th July 2019 (UK).
 - Griffiths Goodall Insurance Brokers (GGIB) – PSC has agreed to acquire the GGIB business as announced to the market 9th of July, 2019 (Australia).
- With strong strategic benefits, each acquisition is expected to deliver strong earnings accretion to PSC as well as operational diversity.
- To assist with the funding of the Paragon acquisition, PSC is undertaking an Institutional Placement to raise approximately \$35m.

Driving Growth

Organic & Acquisition Focus

Organic growth flows from:

- New clients
- New businesses established by PSC
- Business improvement

Acquisitions:

- Disciplined allocator of capital
- Price reflects growth outlook and concentration risks
- Simultaneous recruitment process requires cultural fit

Proposed Acquisition : Paragon

A leading Lloyd's and London Markets Broker

- Founded in 1996, Paragon is a leader in professional and financial lines in the Lloyd's and London Markets broking market with expertise in professional indemnity (E&O), D&O, Cyber, Healthcare and M&A.
- Paragon provides wholesale broking services to clients in the USA (> 60% of revenue) and both direct and wholesale broking services in the UK. Through this, Paragon services many of the world's largest technology, legal, engineering and architectural firms.
- Paragon has grown organically with no debt and has over 90 staff. Revenue for year ending 31 December 2018 (FY18) was £21m (~ A\$38m) and underlying EBITDA for FY18 was £4.2m (~ A\$7.6m).
- PSC have identified a number of opportunities to grow both revenue and margins.

Proposed Acquisition : Paragon

A leading Lloyd's and London Markets Broker

- Paragon will continue to operate as an autonomous business unit of PSC.
- Paragon and PSC are a great strategic fit – ensures Paragon independence from the international broking firms.
- Paragon leadership team to remain, adding significant operational and market expertise for the PSC UK businesses and becoming material shareholders in PSC via inclusion of share consideration.
- Paragon and PSC Group's current UK businesses are of comparable size, the combined UK operations EBITDA will approximately double post acquisition.
- The Group will be a major participant in the Lloyd's and London Markets broker market (~ £500m of gross written premiums).
- The acquisition will provide an exposure to the US economy and US wholesale broking market via an established London presence. This has been a strategic goal of the PSC Group.

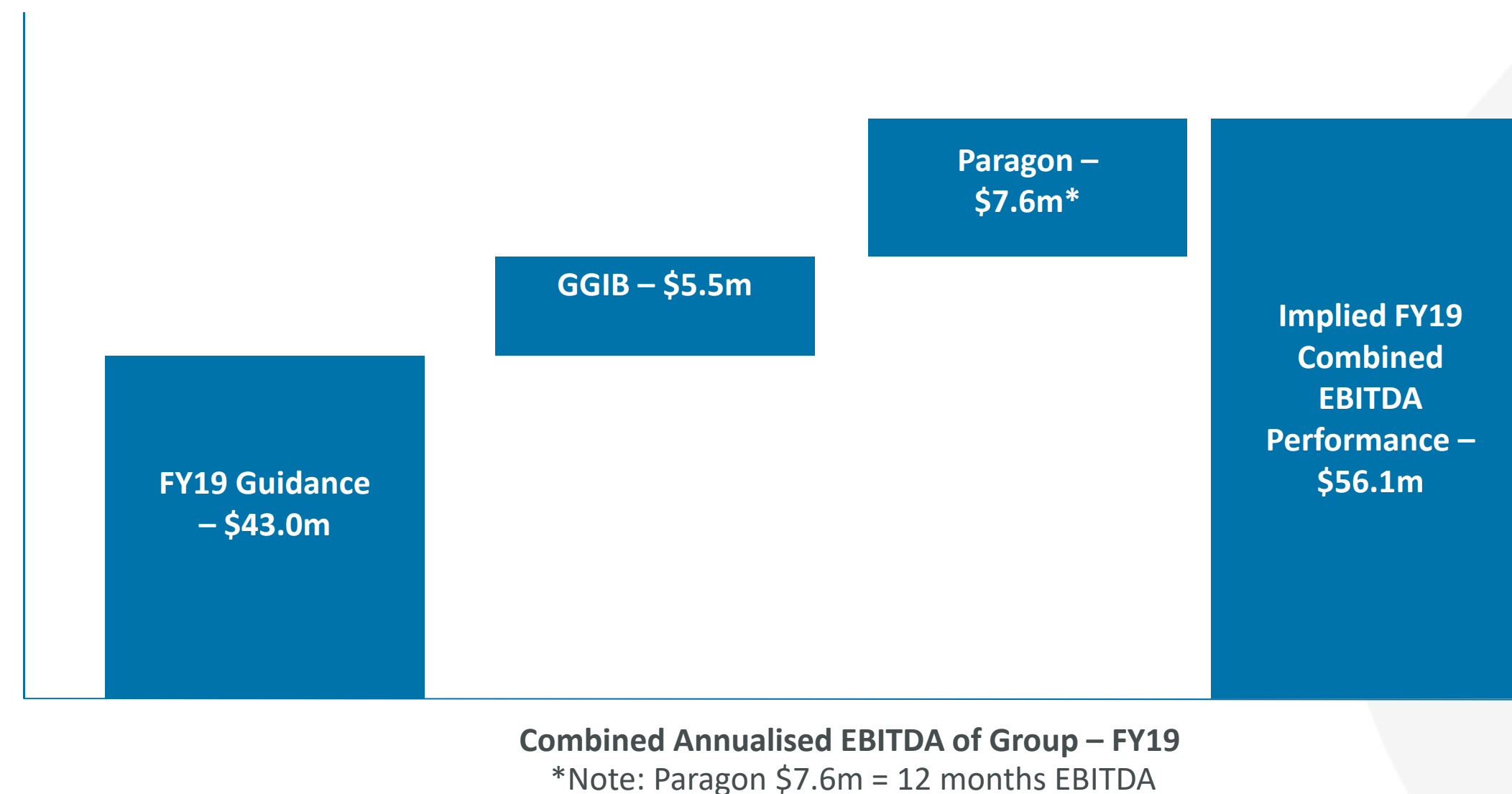
Proposed Acquisition: Paragon

Key Transaction Terms

	Paragon
Acquisition Status	<ul style="list-style-type: none"> A Share Purchase Agreement (SPA) has been substantially agreed and is proposed to be executed post entering into binding commitments for the capital raising Completion of the acquisition will be subject to U.K. FCA Regulatory approval
Strategic Rationale & Operational Fit	<ul style="list-style-type: none"> Strong management team who have grown market specialist business in growth business lines. Delivers PSC with greater exposure to the significant US insurance market via an established London based brokerage firm. Good opportunities to grow revenue and margin over time.
Earnings Contribution	<ul style="list-style-type: none"> The Paragon acquisition is expected to generate an incremental annual EBITDA of £4.2m (~ A\$7.6m).
Acquisition Structure	<ul style="list-style-type: none"> PSC expects to enter into an arrangement to acquire 100% of the share capital of Paragon for a headline purchase price reflecting an enterprise value of £42.0m (~ A\$76m) representing a purchase multiple of 10 times FY18 underlying EBITDA. Subject to U.K. FCA Regulatory approval, the payment of the purchase price will be structured as: <ul style="list-style-type: none"> Tranche 1: £35.0m, comprising cash payment of £25.0m and fully paid PSI ordinary shares of £10.0m (at a price equal to the 5 day VWAP up to exchange). Tranche 2: Base Payment of £3.5m. The Base Payment will be subject to an adjustment at a multiple of 10x the difference between the actual 2019 EBITDA and a base EBITDA of £4.2m. The Base Payment is payable in cash and should there be any amount above the Base Payment, this will be paid as a combination of cash (50%) and fully paid PSI ordinary shares (50%). Tranche 3: Base Payment of £3.5m. The Base Payment will be subject to an adjustment at a multiple of 10x the difference between the actual 2020 EBITDA and the actual 2019 EBITDA. The Base Payment is payable in cash and should there be any amount above the Base Payment, this will be paid as a combination of cash (50%) and fully paid PSI ordinary shares (50%). Any shares under Tranches 1 and 2 will be based on a 5 day VWAP up to final EBITDA determination. Shares issued as part of the transaction are escrowed until for 3 years from Completion (calendar 2022).
Funding	<ul style="list-style-type: none"> PSI ordinary shares to be issued under the Company's existing capacity under ASX L.R. 7.1 and Tranche 1 Cash component will be funded via existing cash resources (including placement funds raised). Additionally, the Group currently expects to have a UK based debt funding facility of ~£30m in place on or around the Completion of the Acquisition.

Post-Acquisition Earnings Profile

GGIB and Paragon acquisitions are expected to deliver strong earnings and operational growth:



- We confirm FY19 underlying EBITDA Guidance of better than \$43.0m. Underlying revenue for FY19 is expected to be ~ \$120m. The results remains subject to audit and excludes the fair value movements of Group investments and excludes the transaction costs from acquisitions and non-recurring costs and costs incurred and not related to FY19 revenue.
- Full GGIB EBITDA expected to be delivered in FY20 given an Effective Date of the acquisition of 1st July 2019.
- FY20 contribution from Paragon will be dependent on timing of Completion, which is dependent on regulatory approval.

Post-Acquisition Capital Structure

As part of the GGIB and Paragon acquisitions, PSI will be issuing scrip consideration to vendors to ensure ongoing alignment with the Group

Shares Outstanding		Issue Date
Current Shares on Issue	245,875,876	Current
Placement Shares*	13,500,000	1/08/2019
GGIB Shares - T1	3,944,286	~ 31/7/2019
Paragon Shares - T1*	6,900,000	15/09/2019
Total	270,220,162 [#]	
Options on issue	900,000	

*Note: to be finalised once capital raising price established

[#]700,000 loan funded shares expected to be issued in FY20

In addition to the above confirmed share issuance, there will also be a number of share issuance to be issued at a 5 day volume weighted average price (VWAP) on the following issuance dates:

- Paragon Tranche 2: 50% of any amounts over the Base Payment of £3.5m. The number of shares issued is therefore contingent and presently unknown. Issuance date ~ 90 days post confirmation of EBITDA and at a 5 day VWAP prior to issuance day.
- GGIB Tranche 2: An adjustable amount of \$1.2m worth of PSI stock to be issued depending on FY20 revenue contribution. To be issued in 1H FY21 at a 5% discount to 5 day VWAP to 1 July 2020.
- Paragon Tranche 3: 50% of any amounts over the Base Payment of £3.5m. The number of shares issued is therefore contingent and presently unknown. Issuance date ~ 90 days post confirmation of EBITDA and at a 5 day VWAP prior to issuance day.
- GGIB Tranche 3: An adjustable amount of \$1.2m worth of PSI stock to be issued depending on FY21 revenue contribution. To be issued in 1H FY21 at a 5% discount to 5 day VWAP to 1 July 2021.

Capital Raising: Summary

- PSI is proposing to raise approximately \$35m via the issuance of ordinary shares.
- Funds to be raised under a Placement to institutional and sophisticated investors with shares to be issued under the Company's ASX L.R. 7.1 capacity
- Placement commitments are conditional on Paragon SPA being executed – expected UK close of business Wednesday 24th July 2019
- New shares to be issued will be eligible for Final FY19 Dividend.

Use of Funds

Item	Amount
Paragon Tranche 1 Cash	~ \$45,000,000
Capital Raising Funds (Net)	~ (\$34,000,000)
PSI Existing Cash	~ (\$11,000,000)

Proposed Transaction Timetable

Item	Date
Wall Crossing Select Institutions	10:00am, Monday, 22nd July 2019
Firm Bids Due	2:00pm, Tuesday, 23rd July 2019
Confirmation Letters Issued	4:00pm, Tuesday, 23rd July 2019
Confirmation Letters Due	12:00pm, Wednesday, 24th July 2019
Acquisition and Placement Announcement	9:00am, Thursday, 25th July 2019
Settlement (New Shares under the Offer)	Thursday, 1st August 2019
Allotment and Issue of New Placement Shares	Friday, 2nd August 2019
Normal trading commences (New Shares)	Friday, 2nd August 2019



CLOSE & QUESTIONS



Appendix

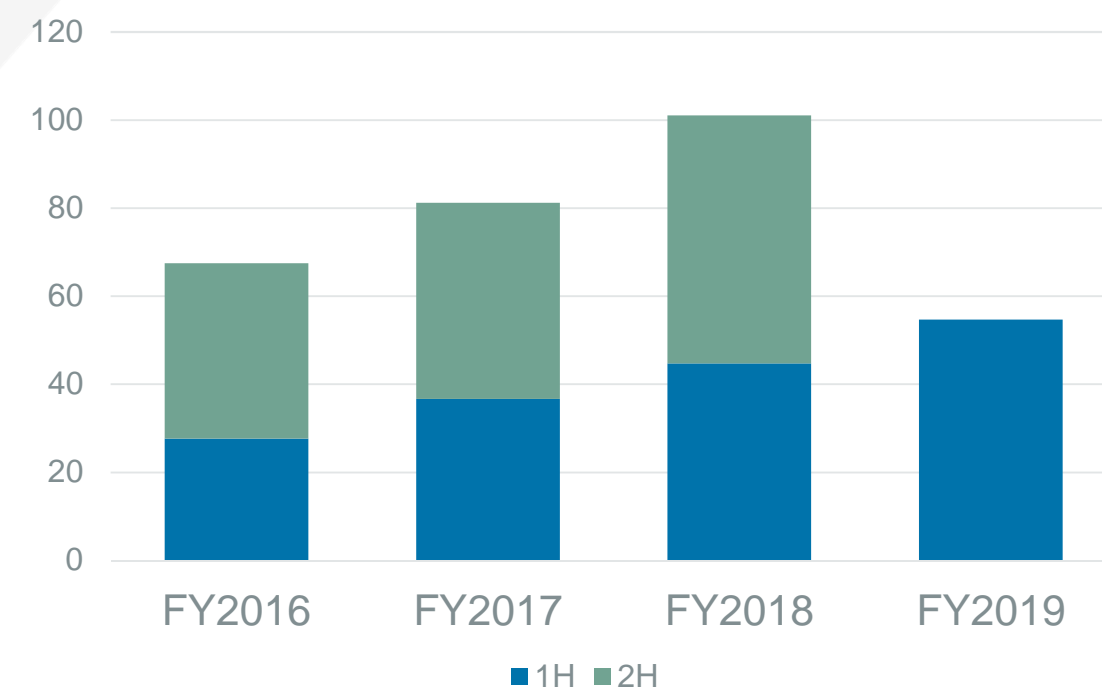
Acquisition: Griffiths Goodall Insurance Brokers (announced to ASX

9 July 2019)

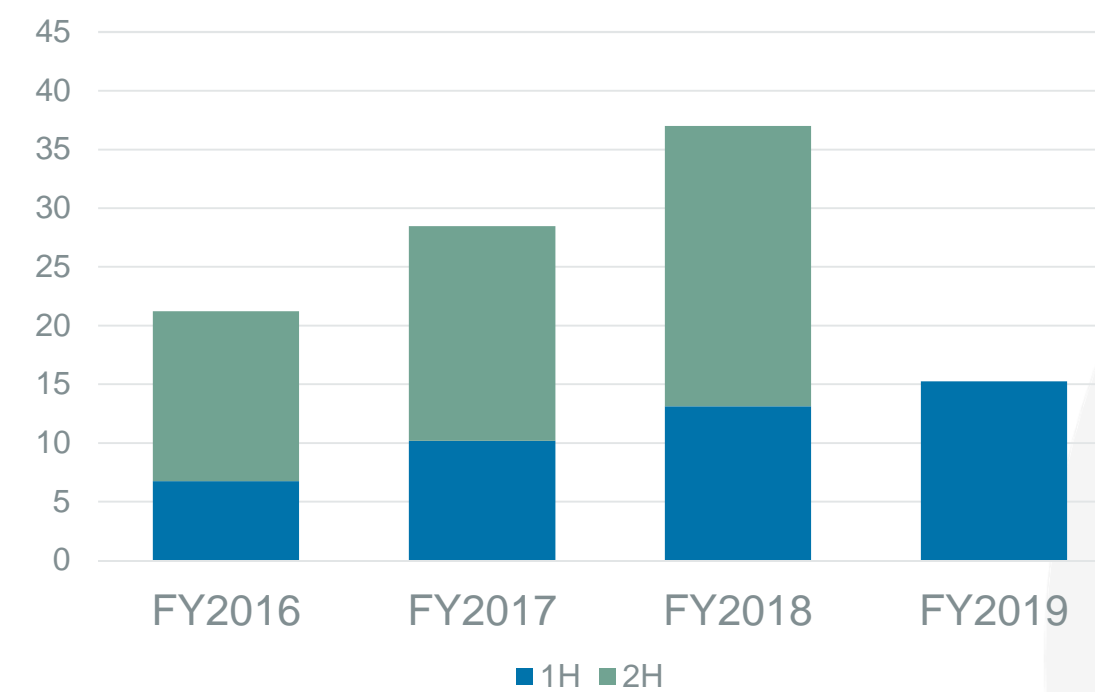
Regional Victoria broker established in 1989 and has grown to become one of the largest independent insurance brokers in Australia:

	GGIB
Acquisition status	<ul style="list-style-type: none">Announced to the ASX 9 July 2019, completion expected by end of July.
Strategic Rationale & Operational Fit	<ul style="list-style-type: none">GGIB has specialised in the commercial, industrial, transport, logistics, pleasure craft, agri-risk and personal insurance to its largely regional Victorian SME client base.The acquisition of an existing business with high quality management and staff is considered an important element of PSC's strategy to grow its presence in regional Australia.GGIB key management will continue in their role of managing the day to day operations of the business.
Earnings Contribution	<ul style="list-style-type: none">The GGIB acquisition is expected to generate an incremental EBITDA of more than \$5.5 million per annum.
Acquisition Structure	<ul style="list-style-type: none">Acquisition is a purchase of the Business Assets only and the purchase price of the is \$48.0m, payable in three tranches:<ul style="list-style-type: none">Tranche 1: Payable on Completion - Cash payment of \$28.8m and script of 3,944,286 shares at a price per share of \$2.43 (~ \$9.6m).Tranche 2: \$4.8 million payable in H1FY21 paid as a combination of cash (75%) and shares (25%), with this amount adjustable dependent on the revenue of GGIB during the 12 months ending 30 June 2020.Tranche 3: \$4.8 million payable in H1FY22, paid as a combination of cash (75%) and shares (25%), with this amount adjustable dependent on the revenue of GGIB during the 12 months ending 30 June 2021.
Funding	<ul style="list-style-type: none">Cash component of Tranche 1 to be funded via the Group's existing debt facility.

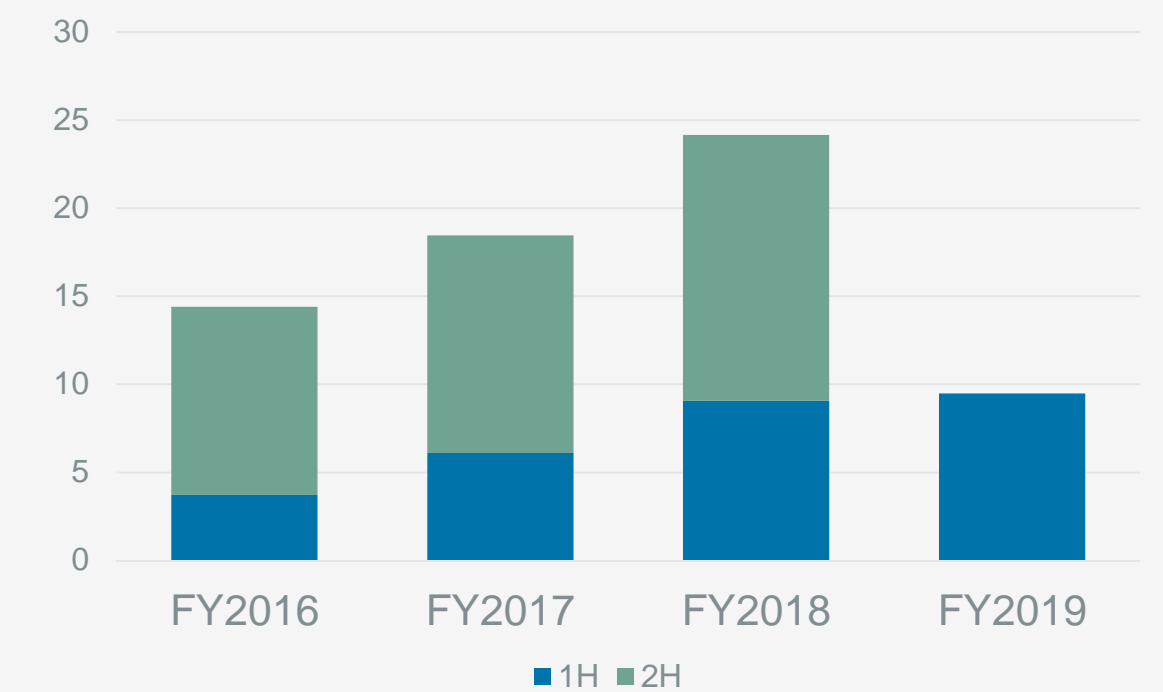
TRACK RECORD OF GROWTH



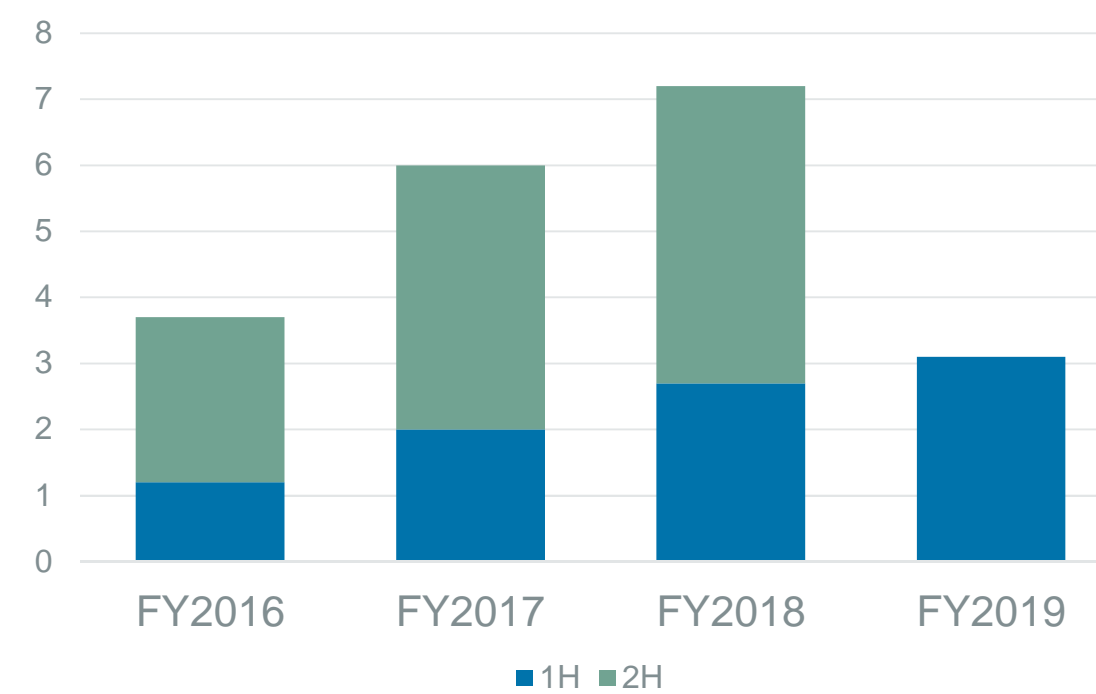
UNDERLYING REVENUE



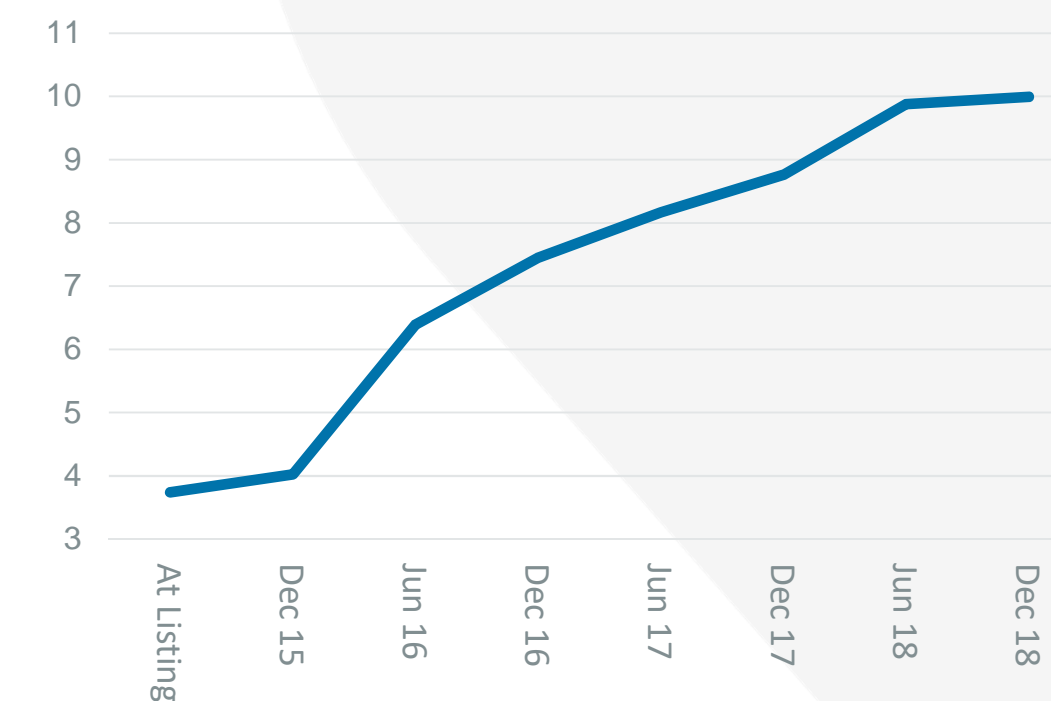
UNDERLYING EBITDA



UNDERLYING NPATA

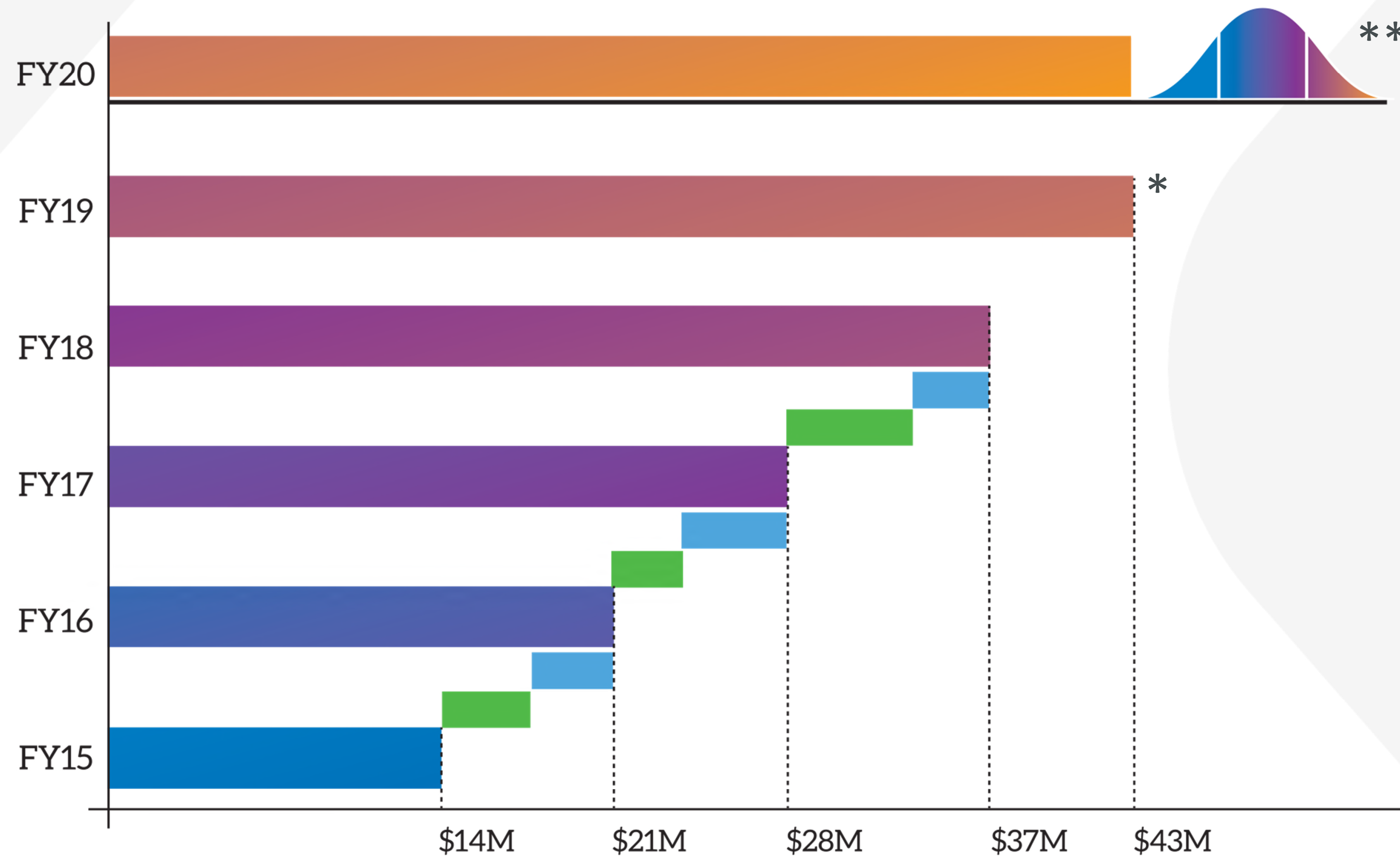


DIVIDENDS - CPS



ROLLING EPS

Underlying EBITDA ~ 3x Growth over 4 Years



● Organic growth
● Acquisition growth

*FY19 Unaudited

**FY20 Illustrative Only

Keys to a Great Business



A great broking business requires:

- Strong clients
- Great people
- Good systems and processes

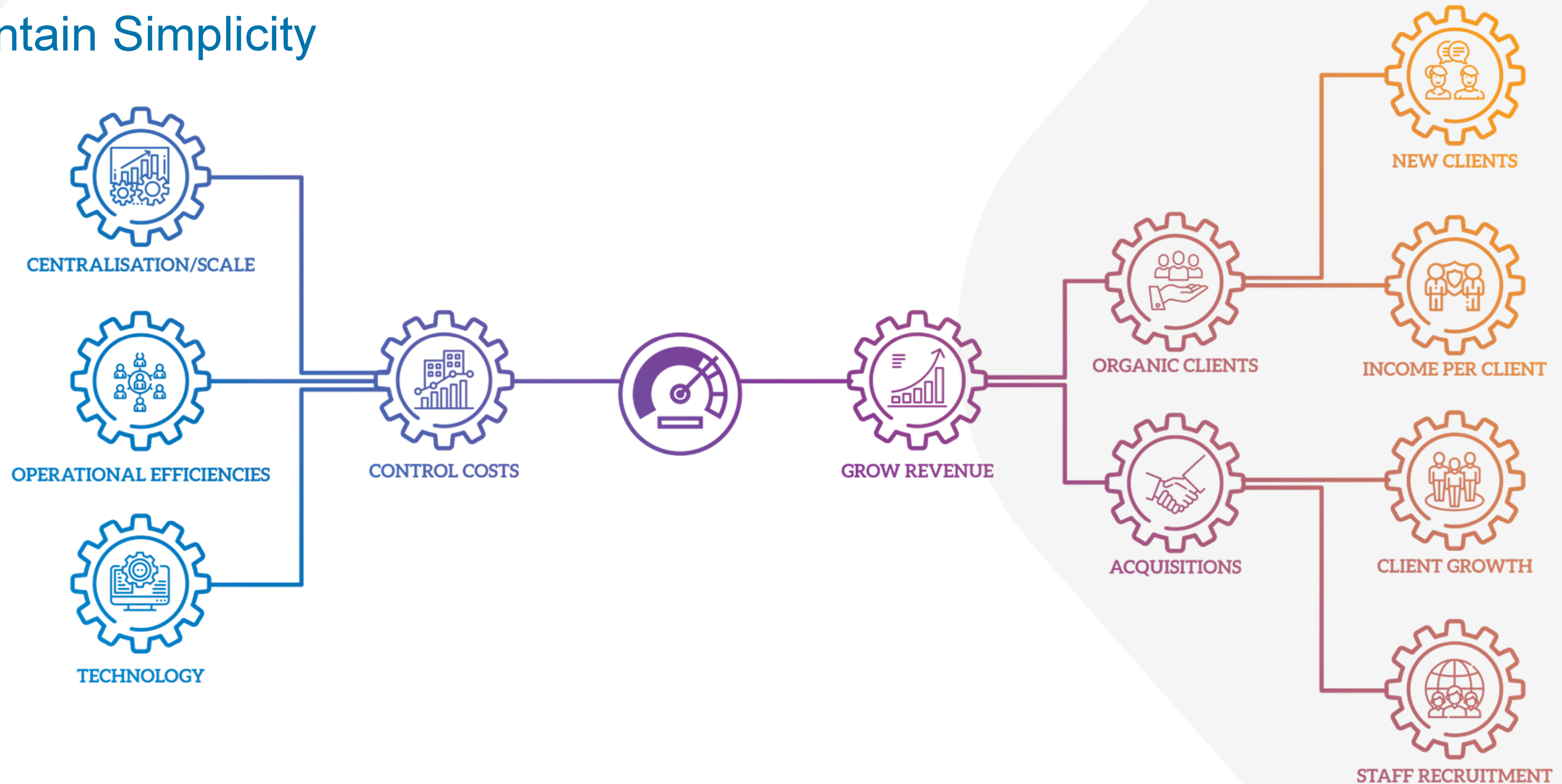
Great people need:

- Autonomy
- Purpose
- Accountability
- Expertise



Keys to Managing a Great Business

Maintain Simplicity



OPERATING SEGMENTS



DISTRIBUTION

Insurance Broking, including Broker Networks, life broking and workers compensation consulting



AGENCY

Underwriting Agencies including Chase, Breeze, Online Travel, Medical, and claims services



UNITED KINGDOM

The UK businesses including Carroll Holman, Breeze (UK), APG, Turner, EBOL and Chase



GROUP

Group income and investments

DISTRIBUTION (Aust)

MID-MARKET/CORPORATE BROKING



BROKING NETWORKS



SPECIALITY BROKING



ONLINE DELIVERY



ADJACENT SERVICES



LIFE BROKING



- The Distribution businesses account for ~ \$560m GWP.
- Highly diversified across > 90,000 clients.
- Customer focused and national footprint.
- 17 broking businesses and 12 broking offices.
- 200 authorised representatives, partners and member brokers (NZ).
- A range of specialty insurance broking brands covering key industries and risks.
- Claims, workers compensation and life broking are complementary to the core broking businesses.
- Three year national affinity peak body appointments to underpin growth profile of business.

AGENCY (Aust)

CHASE UNDERWRITING



Services exclusively to the construction sector in Australia & UK.

BREEZE UNDERWRITING



Specialist insurance products for niche industries in accommodation, hospitality, professional risks and hire and rental.

MEDISURE



Specialist insurance products for the healthcare and allied health sector.

ONLINE TRAVEL INSURANCE



JOLIMONT UNDERWRITING



Specialist underwriting for hard-to-place property risks via the London market.

- The Agency division accounts for ~ \$90m GWP.
- Focus on niche and growth industries.
- Supported by a variety of strong international and domestic insurance partners.

UNITED KINGDOM (Dist'n & Agency)

CARROLL HOLMAN



Independent Lloyd's and London market wholesale broker with a focus on UK and Australian business. Core classes are Property, Casualty, Household, Motor and PI.

BREEZE UNDERWRITING



Property & Liability underwriting agency writing UK based risks. Breeze highly service driven giving UK retail broker a consistently high service with competitive products.

ALSFORD PAGE & GEMS



Lloyd's and London market insurance and reinsurance broker with a focus on international business.

TURNER INSURANCE



UK retail (direct) broker for commercial businesses as well as life and pensions for connected clients.

CHASE INTERNATIONAL



Services exclusively to the construction sector in Australia & UK.

EASY BROKING ONLINE



An electronic only Underwriting agency offering solutions for leisure, Retail, Takeaways, Offices, Property Owners and Commercial Combined

- The UK businesses account for ~ \$350m GWP.
- Carroll Holman Insurance Brokers – wholesale Lloyds & London Markets broker, 3 offices, 1000 supporting brokers.
- Breeze Underwriting – agency specialising in property & liability classes.
- Alsford Page & Gems – reinsurance broker, increasing presence in US MGA.
- Turner Insurance – 70% ownership – SME broker based in Leicester.
- Easy Broking Online – agency specialising in SME property class.
- Chase Underwriting – start up construction agency.