22 February 2021

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

<u>PSC INSURANCE GROUP LTD (PSI) – FY21 HALF-YEAR RESULTS ANNOUNCEMENT AND INVESTOR</u> PRESENTATION

Please find attached:

• FY21 Half-Year 31 December 2020 Results Announcement.

Other documents lodged today are:

- Appendix 4D and Financial Report for the Half-Year Ended 31 December 2020.
- 2021 Half-Year Results investor presentation.
- Notification of dividend / distribution. The DRP will be active for the interim FY21 dividend.
 The dividend will be paid 7 April 2021 and is fully franked.

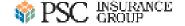
As announced to the Market on 18 February 2021, a Half-Year Results shareholder and investor conference call will be commence at 9.00 am today.

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

Authorised for release to the ASX by the PSC Insurance Group Limited Board.

Stephen Abbott

Company Secretary



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PSC INSURANCE GROUP LTD (PSI) - HALF YEAR 31 DECEMBER 2020 RESULTS ANNOUNCEMENT

PSI is pleased to announce a 52% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA)¹ to \$28.7 million and 50% increase in underlying net profit after tax before amortisation (NPATA) to \$17.1 million. This reflects a 25% increase in underlying revenue to \$93.8m.

A dividend of 4.0 cents per share has been declared for the period. This is a 14% increase on the prior period.

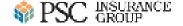
Statutory NPAT was \$13.6 million. The statutory NPAT includes items excluded from underlying earnings such as the increase in the market value of the investment in BP Marsh.

These are very strong results in the context of the business, personal and economic challenges presented by the Covid 19 pandemic and the current state of the insurance markets globally. The Group has received no assistance from the Job Keeper scheme of the Australian government.

Key highlights in this period include:

- A strong organic growth performance, contributing a \$6.0 million (+32%) increase on the prior year. These increases were across all operating segments and were contributed by both organic revenue growth and cost reductions. The cost reductions were both structural and cyclical given Covid 19 mobility restrictions.
- The completion of a number of acquisitions; Absolute Insurance Brokers in the UK and 3 smaller acquisitions in Hong Kong to establish our presence in that market.
- The completion of both Absolute Insurance Brokers and the remaining 30% of Turner Insurance Services produced a significant advance in the Group's stated strategy of growing a UK direct commercial broking business.
- Acquisition growth was \$3.8 million in the period, and this was largely driven by the UK operating segment. The main drivers of this were the incremental first quarter performance of Paragon (not in the prior period) and a quarter of performance from Absolute. All acquisitions have performed and integrated well and Paragon's performance remains good, with 8% revenue growth on a calendar year basis.
- The Group successfully raised \$70 million in the period, with strong support from existing and new shareholders. This places the Group in a very strong position to fund

¹ After "AASB16" depreciation and interest and normalising for traditional rent expense.



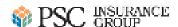
- future acquisition based expansion in our key markets and the pipeline of opportunities is good.
- First half of the financial year is the strongest half for operating cash flow, with strong increases in the prior period due to improved profitability and strong debtor collections.

Outlook:

The strong underlying performance is expected to continue through the second half and we expect full year underlying EBITDA at the top end of our range of \$65-\$70m.

In addition, the company continues to progress a number of acquisition opportunities and, following the recent capital raising, is well placed to fund those transactions from existing resources.

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



Financial Highlights:

UNDERLYING REVENUE UP 25% TO \$93.8M.

UNDERLYING EBITDA UP 52% TO \$28.7M.

UNDERLYING NPATA UP 50% TO \$17.1M.

UNDERLYING EPS UP 36% TO 5.9 CENTS.

STATUTORY NPAT UP 55% TO \$13.6M.

INTERIM DIVIDEND INCREASED BY 14% FULLY FRANKED TO 4.0 CENTS.

Underlying Revenue:

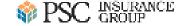
\$m	HY21	HY20	Change	%
Revenue	93.8	74.8	+19.0	+25%

Increased underlying revenue of \$19.0 million was comprised as follows:

- Acquisitions contributed approximately \$15.7 million. The majority of this growth was
 from the UK segment; Paragon (Q1) \$11.6 million and \$2.0 million across both Carroll
 Insurance Group and Absolute Insurance Brokers. The balance is from 5 months of Hong
 Kong operations (\$1.1 million) and the majority of the balance from the GGIB and
 Australian Unity acquisitions. All acquisitions have integrated and have performed well.
 Specifically, Paragon has grown its revenue by 8% on a calendar year basis.
- Organic growth contributed approximately \$3.3 million (\sim 4.4%). Comprising a \$2.2 million increase in Distribution (\sim 6.0%), a \$1.5 million increase in the UK (\sim 5.0%) and a decrease in Agency of \$0.5 million (\sim -6.5%). This total amount is net of a decline in revenue from the online travel insurance business which was materially impacted by the pandemic.
- Organic growth in the Distribution businesses was broad based, with good results from all of Broking, Networks and Workers Comp Consulting.
- Organic growth in the UK businesses was good, with Paragon (Q2 contribution on prior period), Carrolls, Breeze Underwriting and Chase UK all growing strongly. The APG business has been restructured and merged in to Carrolls with effect 1st January 2021.
- Organic growth in Agency was impacted by the Online Travel Insurance business which has been materially impacted by the pandemic, with its revenue down by \$0.7 million on the prior period. The Chase and Breeze Underwriting performances were largely steady on the prior period.

Underlying EBITDA:

\$m	HY21	HY20	Change	%
EBITDA	28.7	18.9	+9.8	+52%



Underlying EBITDA does not add-back the depreciation and interest associated with the AASB16 lease obligations and adjusts for cash rent.

Increased underlying EBITDA of \$9.8 million was comprised as follows:

- Acquisitions contributed growth of approximately \$3.8 million, with the UK segment contributing \$3.5 million of this increase. The Hong Kong businesses for the 5 month period were approximately break-even.
- Organic growth was very strong and increased \$6.0 million (+32%). In addition to the organic revenue growth, costs were down \$2.8 million on the prior period, this comprised both structural and cyclical changes.

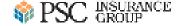
Statutory NPAT and Underlying NPATA:

Underlying NPATA was 50% higher at \$17.1 million.

\$m	HY21	HY20	Change	%
Statutory NPAT	13.6	8.8	+4.7	55%
Amortisation	4.1	1.8		
Non Operational Revenue – Tax	-2.4	0.6		
Adjusted				
Non Operational Costs – Tax	1.8	0.2		
Adjusted				
Underlying NPATA	17.1	11.4	+5.7	50%
W.avg Shares	292.7	265.1		
Underlying EPS	5.9 cents	4.3 cents	+1.6 cents	36%
Average Tax Rate	29%	25%		

Note:

- Non-operational revenue is the fair value adjustments on listed and other investments.
 In the current period there was an increase in values, largely driven by an increase in BP Marsh, as well as less material increases in other smaller on balance sheet financial assets
- Non-operational costs were largely comprised as follows: 1) as advised in November 2020, the APG business in the UK has been restructured and merged with Carrolls, a total non-operational post-tax charge of \$2.8 million (relating to assessment of receivables and the cost of winding down the APG entity) was recognised 2) other non-operating after-tax charges of \$1.0 million relating predominantly to acquisition costs and revaluations of deferred consideration 3) after tax cost of \$0.4 million relating to FX movements and 4) a positive \$2.4m impact from the fair value of the Paragon hedge book
- The tax rate for the period of 29% is higher than the prior period given the increase in the non-deductible amortisation expense.



Balance Sheet:

The balance sheet was further strengthened during the period with \$70 million in equity raised via a DRP Underwriting (\$10 million) and Placement (\$60 million). The net debt of the Group at balance date (inclusive of financial and non-operating assets) is approximately \$25 million. This places the Group in a very strong position to make further acquisitions.

With current cash resources and existing available debt limits, the Group has capacity for approximately \$100 million in acquisitions whilst remaining comfortably inside our historical gearing target range. Including the non-operating assets, this capacity increases to approximately \$145 million.

Dividend:

The Directors have declared an increase in the interim dividend to 4.0 cents per share, a 14% increase on the prior period. This represents a 32% increase in cash dividends paid by the Group over the prior period. Record date will be 10 March 2021 and a payment date of 7 April 2021. This dividend will be fully-franked.

