23 February 2022

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

PSC INSURANCE GROUP LTD (PSI) – FY22 HALF-YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY22 Half-Year 31 December 2021 Results Announcement.

Other documents lodged today are:

- Appendix 4D and Financial Report for the Half-Year Ended 31 December 2021.
- FY22 Half-Year Results Shareholder and Investor presentation.
- Notification of dividend / distribution. The dividend is at 4.5 cents per share and franked to 70%. The DRP will be active for the interim FY22 dividend. Date of payment is 6 April 2022.

As announced to the Market on 17 February 2022, a Half-Year Results shareholder and investor conference call will 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

PSC INSURANCE GROUP LTD (PSI) –

HALF YEAR 31 DECEMBER 2021 RESULTS ANNOUNCEMENT

PSI is pleased to announce a 28% increase in underlying revenue to $119.7 million and 42% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA)[1] to $40.7 million and 61% increase in underlying net profit after tax before amortisation (NPATA) to $27.6 million.

A dividend of 4.5 cents per share has been declared for the period. Given the growth in our UK businesses this will be franked to 70%. This dividend is a 13% increase on the prior period.

Statutory NPAT attributable to members increased 21% to $16.6 million.

These are very pleasing results and all areas of the Group have performed well. Insurance prices have remained favourable which, with good client growth count, has led to strong organic growth across all areas and the performance of the acquisitions completed over the last 12 months has also been very good (Alliance Insurance, Absolute Insurance, Abaco Insurance Brokers, Trust Insurance).

The period showed the growing strength of our multi region business model. There was strong performance in the UK led by growth in Paragon and the continuing successful roll-out of PSC UK Insurance Brokers. The Australian and New Zealand broking franchise continued to grow and strengthen as client numbers increased, the acquisition of the Alliance Insurance business was completed and bolt-on acquisitions strengthened existing offices.

Key highlights in this period include:

- A strong organic growth performance, contributing a $5.7 million EBITDA increase on the prior year. These increases were across all operating segments, with particularly strong growth in Paragon and Chase Underwriting aided by the market conditions.
- The completion of Alliance Insurance, a Melbourne based broking business with over 20 staff and ~ $7 million in revenue, and Montage General Insurance, a New Zealand broking business. Our New Zealand business is growing strongly and is expected to contribute ~ $5 million in revenue this year, with strong profitability.
- Acquisition EBITDA growth was $6.3 million in the period, with all of Absolute Insurance, Abaco Insurance Brokers, Trust Insurance and Alliance Insurance performing well and ahead of expectations. The four UK commercial broking businesses have now been functionally merged as PSC UK Insurance Brokers and we expect this business to grow strongly over the medium term. We continue to do smaller bolt-on acquisitions in Australia, largely sourced from the authorised representatives in PSC Network Insurance Partners.
- The hard market conditions do mean a more difficult operating environment for our staff as placements for our customers generally gets more challenging. We have a terrific group of teams and they continue to do a great job in these unusual times. We have issued additional shares under the Group's Long Term Incentive Plan, which provides good financial incentive to remain with and grow the Group. The main structure for these incentives are medium and long term long funded share arrangements.

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

- The Group successfully refinanced its debt facilities in the period. This will lead to material interest cost savings of ~ $2.8 million per annum, an extended tenor of ~ 5.5 years and undrawn capacity of ~ $90 million, aiding our acquisition strategy over the medium term. We now have an expanded blue chip lending panel of CBA, Macquarie, HSBC, Citi and Pricoa and we are delighted to partner with them as we strive to double our FY21 earnings over the next 4 years.

Outlook:

With a stronger than expected first half, we have upgraded our full year guidance by ~ 5% to an underlying EBITDA range of $87-92 million (from $84-89 million) and an underlying NPATA range of $57-61 million (from $54-58 million).

In addition, the company continues to progress a number of acquisition opportunities and we are increasingly being seen as a strong partner to sell to in our core Australian and UK markets.

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 28% TO $119.7M.

UNDERLYING EBITDA UP 42% TO $40.7M.

UNDERLYING NPATA UP 61% TO $27.6M.

UNDERLYING EPS UP 46% TO 8.6 CENTS.

STATUTORY NPAT UP 21% TO $16.6M.

INTERIM DIVIDEND INCREASED BY 13% TO 4.5 CENTS, FRANKED TO 70%.

Underlying Revenue:

$m	FY22	FY21	Change	%
Revenue	119.7	93.7	+26.0	+28%

Increased underlying revenue of $26.0 million was comprised as follows:

- Acquisitions contributed approximately $12.0 million. The majority of this growth was from the UK segment of $7.8 million being a 3 month (Q1) contribution from Absolute and a 6 month contribution from Abaco and Trust. All businesses are performing well. In Australia, Alliance completed in September and has contributed growth of $2.3m. The balance of $1.9m was across a number of smaller bolt-on acquisitions across Australia and New Zealand.
- Organic growth contributed approximately $14.0 million (~ 16%). Comprising a $2.2 million increase in Distribution (~ 5%), a $1.4 million increase in Agency (~ 20%), a $10.2 million increase in the UK (~ 23%).
- Organic growth in the Distribution businesses was driven by Broking and Networks, with an increase in deferred revenue for Workers Comp Services in the period creating a headwind that will unwind in the second half.
- Organic growth was strong in Agency and driven by the performance of Chase Underwriting. The performance has been driven by market leading capacity and product in its core construction markets and pricing has been favourable.
- Organic growth in the UK businesses was very good, with a particularly strong performance from Paragon (~ 30%). Pricing has been highly favourable in Cyber, D&O and PI classes, and client numbers have also grown. Carrolls, Breeze Underwriting, Chase Underwriting and PSC UK Insurance Brokers all grew well.

Underlying EBITDA:

$m	FY22	FY21	Change	%
EBITDA	40.7	28.7	+12.0	+42%

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 $12.0 million was comprised as follows:

- Acquisitions contributed growth of approximately $6.3 million, with the UK segment contributing $4.0 million of this increase, Alliance $1.3 million and the balance from bolt-on acquisitions in Australia and New Zealand.
- Organic growth was very strong and increased $5.7 million (~ 20%). Comprising a $0.6 million increase in Distribution (~ 4%), a $1.4 million increase in Agency (~ 64%) and a $4.7 million increase in the UK (~ 40%) and a decrease in Group of $1.0m.

Statutory NPAT and Underlying NPATA:

Underlying NPATA was 61% higher at $27.6 million.

$m	FY22	FY21	Change	%
Statutory NPAT	16.6	13.6	+3.0	+21%
Amortisation	6.1	4.1		
Revenue excluded from Underlying Results – Tax Adjusted	-0.3	-2.4		
Expenses excluded from Underlying Results – Tax Adjusted	5.2	1.8		
Underlying NPATA	27.6	17.1	+10.5	+61%
W.avg Shares	323.0	292.7		
Underlying EPS	8.6 cents	5.9 cents	+2.7 cents	+46%
Average Tax Rate	27%	28%		

Note:

- Revenue excluded from underlying results is the fair value adjustments on listed and other investments. In the current period there was a small increase in values, and the investment value of BP Marsh was largely flat. Current book value of BP Marsh is $45 million.
- Expenses excluded from underlying results comprised as follows: 1) a release of $2.2m (pre-tax) from prepaid bank fees following the repayment of the Barings debt facility 2) given the strong performance of Absolute, Abaco and Trust, a $1.9m charge following the revaluation of deferred consideration 3) option expenses of $0.6 million relating to the Group's LTI plan and 4) transaction costs of $0.8 million relating to the Group's acquisition activity.

Balance Sheet and Cashflow:

The balance sheet was further strengthened during the period with the refinance of the Group's debt facilities. Key components of which were:

- Reduction in average interest rates of ~ 1.6% pa.
- An increase in limits to $265 million, with undrawn capacity of approximately $90 million.
- An increase in weighted maturity date to 5.5 years.
- An expanded panel of funders with the addition of HSBC, Citi and Pricoa to the existing providers of CBA and Macquarie.

This provides a strong medium and long term platform to support the Group's acquisition strategy.

The majority of the Group's acquisition activity was funded with existing cash reserves in the period. The Group maintains its gearing policy of net leverage range of 2.0-2.5 times. The position at period end was comfortably within this range.

Operating cash-flow over the period was strong with a 44% increase to $50m. As is previously the case, the first half of the financial period is materially the stronger cash generating period.

Dividend:

The Directors have declared an increase in the interim dividend to 4.5 cents per share, a 13% increase on the prior period. Given the growth in the Group's UK operations, this will be franked to 70%. This represents an 18% increase in cash dividends paid by the Group over the prior period. Record date will be 9 March 2022 and a payment date of 6 April 2022.